



# ***Daily Report***

## **East Asia**

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# Daily Report

## East Asia

FBIS-EAS-95-038

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## Japan

### Owada 'Likely' To Become Ambassador to U.S.

OW2702145695 Tokyo SHUKAN DAIYAMONDO in Japanese 4 Mar 95 p 19

[Unattributed article]

[FBIS Translated Text] It was spring of 1994 when Hisashi Owada, former administrative vice minister of foreign affairs, was appointed as representative to the United Nations. It is by no means a perfunctory "honorary post." As the United Nations is engaging in heated debate on reform of the UN Security Council [UNSC], including Japan's bid for permanent seat on the UNSC, the government decided his outstanding diplomatic skills are needed to demonstrate Japan's UN-oriented diplomacy and elevate the status of the United Nations in the post-Cold War era.

However, it is now highly likely that Owada will be transferred to a new post as ambassador to the United States after the Halifax Summit in Canada in June, at the earliest.

This is because incumbent Ambassador to the United States Takakazu Kuriyama is scheduled to take office as a Supreme Court judge. In addition to Owada, another prospective successor is Kunihiro Saito, administrative vice minister of foreign affairs.

Owada was originally a strong candidate for ambassador to the United States. But his daughter's marriage to the royal family in 1993 apparently gave the government second thoughts and he was appointed as UN representative. If his transfer to Washington proceeds smoothly, one can say that everything went as planned in a scenario. However, there remains one big problem. What if this personnel reshuffle has negative impact on Japan's long-standing call for permanent membership on the UNSC?

It has been less than a year since Owada took office as Representative to the United Nations. There is fear that criticism may erupt if he leaves for another post in Washington because it would appear "Japan is making light of the United Nations." Being concerned over such a possibility, the staff of Japan's Permanent Mission to the United Nations remain silent. All they say is "We do not wish to talk about it." They are extremely nervous about reactions from other nations.

What the Permanent Mission worries most is the fact that the reform of the UNSC will become increasingly important with the approaching of the 50th anniversary of the founding of United Nations this fall.

Although it is obvious that Japan has few chances to win a seat through discussions on UNSC reform, the government has been trying to achieve its goal within this year, in particular. Reflecting such a move, Owada took a stance that is drastically different from his predecessors'

and clearly stated Japan's opinions at the UN General Assembly. But if his transfer becomes final, what is the government expecting to say to nations that have been supporting Japan's bid?

Furthermore, other nations have paid special respect to Owada, who is the father of the crown princess. Therefore, some say transferring Owada will be a disadvantage to Japan's diplomatic strategy.

The post of ambassador to the United States is certainly alluring, but the United Nations should not be disregarded. This question is deeply afflicting Owada "Hamlet."

### Growing Anti-Japanese Sentiment in U.S. Noted

OW2702054295 Tokyo SHUKAN DAIYAMONDO in Japanese 25 Feb 95 p 18

[Unattributed article: "The Atomic Bomb Stamp Controversy Was Nothing But a Prelude to a Tempest—Two Controversial Documentary Films, Which Will Soon Be Televised in the United States, Threaten To Harm Japanese-U.S. Relations"]

[Text] There is a feeling of growing unease among Japanese living in the United States, as various events are being organized both in Japan and the United States to mark the 50th anniversary of the end of World War II. Until now, the gap between Japan and the United States over the historical understanding of the war has remained unquestioned. Japanese residents in the United States fear that some Americans may vent their anti-Japanese sentiments against them when this gap comes to the fore through these events.

Several projects have already given rise to controversies. The first controversy was caused by a U.S. Postal Service project to issue a stamp depicting a nuclear mushroom cloud. The stamp, which was originally scheduled to be issued in September, was part of a series of 10 commemorative stamps to mark the 50th anniversary of the war's end. The Japanese Government strongly protested against this project. THE WASHINGTON POST, which is said to represent sound opinion, published the following comments: "If the U.S. Postal Service were to issue a commemorative stamp about the Battle of Wounded Knee (in which more than 300 women and children were massacred), this would naturally incur Native Americans' anger. The atomic bomb stamp has the same effect on the Japanese people." The Clinton administration was forced in the end to cancel the stamp's issuance.

The second controversy was caused by a Smithsonian Institution project to organize a special exhibition on the atomic bombings featuring the Enola Gay, the B-29 that bombed Hiroshima (the exhibition is expected to be held in May). The exhibition was originally aimed at reviewing history through the display of various historical materials, based on the view that dropping the atomic bombs was unnecessary. When the museum



released the details of its planned exhibit, U.S. veterans groups strongly complained that the script of the exhibit was too sympathetic toward wartime Japan. The museum subsequently changed its plan, thus bending to their pressure. It decided to greatly scale back the exhibit; it will now mainly feature part of the fuselage of the Enola Gay.

The atomic bomb stamp and the atomic bombings exhibition are nothing but a prelude to a tempest. The U.S. Public Broadcasting Service currently plans to televise two controversial movies through its nationwide network in late spring or early summer. These two movies, entitled "In the Name of the Emperor" and "Forgotten Holocaust," are about the Nanjing Massacre, in which more than 300,000 people were killed, according to the ruling of the International Military Tribunal for the Far East. The Public Broadcasting Service used the famous Nanjing Massacre archival film shot by a U.S. missionary named Maggy [name as transliterated]. It added pictures of victims' families and of some 1,000 survivors, as well as some footage on historical materials held by the United States, China, and Japan, in order to make two brand-new documentary films.

Those who have seen the movies, which are now in the cutting stage, fear that they may create a great sensation. "These movies even show some private pictures that were kept by victims' families. Because they will be shown for the first time, we cannot foresee what impact they will have on the public," they said.

Meanwhile, some Americans have begun to criticize the lack of consideration toward Japan on the part of the Clinton administration, as the movies are nearing completion.

The Clinton administration is partly responsible because it allowed the Public Broadcasting Service to film historic materials kept at the National Archives, and because it gave authorization to televise the two movies. Those who have seen the movies say that the American public will certainly have a strong dislike of Japanese once these movies are televised through the United States. A strong Japan-bashing campaign is certain to result.

The Japanese Government should take the necessary action, before it is too late.

#### **Auto Talks With U.S. 'Likely' To Be Postponed**

*OW2702020495 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Feb 95 Evening Edition p 2*

[By Satoru Tsugawa]

[FBIS Translated Text] Washington, 24 Feb—It has become most likely that negotiations on auto and auto parts under the Japanese-U.S. economic framework talks will be postponed. According to a source close to Japanese negotiators, the U.S. Department of Commerce

abruptly called off unofficial vice-ministerial consultations originally planned to be held in Europe around 23 February. It has been observed that the United States must have judged it is premature to start vice-ministerial negotiations because no progress has been attained in the experts meeting. Also, reportedly no date for the next experts meeting has been set at this point.

The consultations on auto and auto parts suspended in October 1994 were resumed last January, and talks between experts at the division-chief level were held in Tokyo in early February. The United States originally wanted to hold final consultations at the vice-ministerial level on the basis of results achieved at the experts talks so that an accord could be reached by the end of March.

The United States, however, seems to have decided to call off the vice-ministerial consultations because of the failure in closing the gap between the two countries on deregulation concerning replacement parts. Also, because Laura Tyson, assistant to the U.S. president and who has been newly assigned to take charge of the National Economic Council, is scheduled to hold an intragovernmental meeting on the negotiations on autos and auto parts next week, it is expected that a decision on plans for future negotiations will be made at this meeting.

#### **Talks 'in the Hands' of U.S.**

*OW2702064395 Tokyo KYODO in English 0631 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—The slump in Japan's stock prices is inconsistent with the actual state of its economy, Vice International Trade and Industry Minister Tomio Tsutsumi said Monday [27 February].

"The downswing may have been traced to fiscal year-end factors. But it is hard to understand fully with these factors [as received]," Tsutsumi said.

Usually, Japan's corporations step up disposal of their stockholdings toward the March 31 end of the fiscal year as a way to generate profits to make the year's accounts look better.

The downtrend is "deviating from the economic reality," Tsutsumi said, noting that Japan's economy is following a course of a moderate recovery.

The 225-issue Nikkei stock average was down over 830 points Monday afternoon, slipping to around 16,600, in the backwash of the Barings PLC fiasco.

Tsutsumi denied a newspaper report that the United States has suspended auto trade talks with Japan on prospects that no major breakthrough is in sight.

The NIHON KEIZAI SHIMBUN reported Saturday that Washington, discouraged by the results of the latest bilateral auto talks, has abruptly canceled a meeting with Japan set for Friday in Europe.



"That is not true. We were not able to hold talks with the U.S. due to its schedule problem," Tsutsumi said.

"The ball is now in the hands of the U.S. side. We are ready to play when they are ready," said Tsutsumi.

Breaking a freeze since October, Japan and the U.S. held working-level talks in Tokyo earlier this month on ways to improve American access to Japan's automobile and auto parts markets.

But no progress was made in the meeting, reflecting a large gap over how to open up Japan's repair parts market.

Both parties left the negotiation tables in Tokyo by agreeing to hold subcabinet-level talks in Europe.

Last October, auto talks, part of the bilateral "framework" negotiations, ended in rupture, prompting Washington to initiate a probe into the trade area in line with Section 301 of a 1974 U.S. trade law, an action that could lead to trade sanctions.

#### **Auto Executive Criticizes U.S. Over Strikers**

OW2702101795 Tokyo KYODO in English 0937 GMT  
27 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Bridgestone Corp. Chief Yoichiro Kaizaki expressed surprise Monday [27 February] at U.S. Government criticism of the company's handling of a strike in the United States and defended the tire maker's hiring of replacement workers.

"These kinds of statements, regarding labor issues at a private domestic company, are completely unexpected," Kaizaki said, referring to criticism by President Bill Clinton and Labor Secretary Robert Reich of U.S. subsidiary Bridgestone/Firestone Inc.

"We are extremely bewildered," the Bridgestone president told a news conference.

Clinton has assailed the company's hiring of nonunion permanent replacements in the strike that began last July, and last month Reich told the U.S. unit's chief executive, Masatoshi Ono, that the administration opposes permanent replacements. Critics in the U.S. Congress note that such replacements are illegal in Japan.

But Kaizaki responded, "the hiring of replacement workers is recognized as a legal action under U.S. law."

Bridgestone/Firestone said last month it had replaced 2,000 of the 4,200 United Rubber Workers employees who walked off the job in Illinois, Iowa, Indiana and Oklahoma.

The strikers are protesting over the company's plan to change shift schedules and medical insurance coverage.

While most other big tire makers operate their factories seven days a week, Kaizaki said, Bridgestone/Firestone's five-day schedule pushes up production costs by 4-5 dollars a tire.

#### **U.S. Concerned Over Holding Company Issue**

OW2602150995 Tokyo NIHON KEIZAI SHIMBUN in  
Japanese 26 Feb 95 Morning Edition p 3

[FBIS Translated Text] It was learned on 25 February that at working-level panel sessions in Tokyo on deregulation and competitive policies under the Japan-U.S. economic framework talks, which ended on 24 February, U.S. delegates expressed concern over Japan's possible lifting of the ban on the establishment of pure holding companies. At the meeting, the U.S. delegates said that lifting the ban will lead to strengthening the "Keiretsu" [interlocking corporate grouping] system and may weaken the functions of the Fair Trade Commission. This is the first time the U.S. Government has indicated a negative view on Japan's lifting of the ban on the establishment of pure holding companies.

A pure holding company is a company that only engages in controlling its subsidiary companies by holding their stocks. After the war, the Japanese Government prohibited the establishment of pure holding companies by the Antimonopoly Act to prevent the revival of "Zaibatsu" [financial groups]. But a company that has its own business and controls its subsidiary companies is accepted.

It has been reported that underlying the U.S. delegates' concern is the fact that Japanese companies hold more stock in their affiliated companies than U.S. companies hold stock in their subsidiaries. The Antimonopoly Act of the United States allows the establishment of pure holding companies. But the U.S. delegates expressed concern, saying that if the ban is lifted in Japan, Japanese companies will further strengthen their Keiretsu system by holding their affiliated companies' stocks and thus creating a barrier to American companies' inroads into the Japanese market.

On the grounds that establishing a pure holding company will help promote effective business management, a study group of the Ministry of International Trade and Industry [MITI] has recommended that the government begin to study the possible lifting of the ban. In response, a study committee on deregulation under the Administrative Reform Promotion Headquarters (with Prime Minister Murayama as chief), in its report, has suggested that the government take a forward-looking position on the possible lifting of the ban. In this way, there are growing views calling for lifting the ban on the establishment of pure holding companies.

Meanwhile, however, there is a view that because of Washington's apprehension, it has now become unclear whether the government's positive view on lifting the ban on the establishment of pure holding companies will



be included in the "five-year plan for promoting deregulation" to be worked out around by the end of March.

#### **U.S., EU Pressure Tokyo for More Deregulation**

*OW2402135295 Tokyo ASAHI SHIMBUN in Japanese  
24 Feb 95 Morning Edition p 11*

[FBIS Translated Text] The Japanese Government, which is set to shape a five-year plan for the relaxation of regulations by the end of March this year, is coming under increasing pressure from the United States and the European Union. The United States and the EU are guarding against the possibility that the five-year plan might end up being ambiguous, thereby maintaining Japan's current bureaucratic regulations. Officials at the embassies of 15 European Union member countries have formed a special team to closely monitor how the Japanese Government grapples with the relaxation of regulations. In negotiations on deregulation and competitive policy sector under the Japan-U.S. economic framework talks that began on 23 February, U.S. negotiators pressed the Japanese Government to speedily take measures to relax regulations, insisting, "The Japanese Government has so far taken a lukewarm attitude toward easing the regulations."

EU Ambassador to Japan (Jan Ketsku) met 23 February with officials in charge of deregulation in the ruling coalition parties, and the opposition New Frontier Party. Referring to specific deregulatory measures to be incorporated in the five-year plan, the EU ambassador asked that the Japanese Government 1) make clear when it would relax the current regulations; 2) increase the number of regulations to be relaxed at an early date; and 3) continue the work of relaxing regulations even after shaping the five-year plan.

European nations have been asking the Japanese Government to relax about 160 regulations including regulations on access to automobile and telecommunications markets. A midterm package of deregulatory measures mapped out in January by the Management and Coordination Agency covered only 21 regulations, but did not mention when those regulations will be relaxed. A high-ranking EU official has expressed his distrust of Japan, saying: "The five-year plan will end up a mere treatise."

At the meeting, the EU ambassador pointed out: "Since Japan has received proposals from other nations for relaxing its regulations, foreign governments will closely watch how Japan eases its regulations. If the Japanese Government fails to fill the five-year plan with effective measures to relax the current regulations, it will suffer a loss of other nations' confidence."

The EU ambassador also said he hopes that if the Japanese Government excludes some regulations from the five-year plan, it cites reasons for the exclusions. The EU ambassador noted that the EU would ask the Japanese Government to continue the work of relaxing

regulations. Given his remarks at the meeting, the officials at the 15 European embassies in Tokyo charged with following Japan's deregulation are believed to have formed the special team to make requests concerning the five-year plan.

Meanwhile, a U.S. Government official who is in Japan to attend the negotiations on deregulation and competitive policy sector, said of the negotiations, "Japanese negotiators are repeating the same ambiguous offers, and the negotiations are not likely to yield tangible results." In this way, he expressed his unhappiness with the posture of Japanese negotiators. In the negotiations, American negotiators have already demanded that the Japanese Government incorporate positive parts of a report compiled by the Deregulation Study Committee in the five-year plan.

The report asks the government to clearly indicate to what extent the price differentials between Japan and other industrial nations will be narrowed as an expression of its resolve to steadily promote the relaxation of regulations. Shojiro Makino, with the U.S. Chamber of Commerce and Industry, who is also working as a consultant for Gless Japan [name as published], says, "The future of the Japan-U.S. economic framework talks hinges on whether the Japanese Government will draw up the five-year plan according to the contents of the report."

#### **U.S. 'Welcomed' Tokyo's Deregulation Plan**

*OW2502134695 Tokyo NIHON KEIZAI SHIMBUN in  
Japanese 25 Feb 95 Morning Edition p 5*

[FBIS Translated Text] On 24 February, Japan and the United States ended their working-level deregulation talks in Tokyo under the bilateral economic framework negotiations. On the final day of the two-day talks, U.S. Government officials welcomed Japan's decision to unveil its "five-year plan for promoting deregulation" at a preliminary stage before the final version is released at the end of March. A U.S. official said the early disclosure "will improve visibility of discussions" by the Japanese Government's Administrative Reform Headquarters (chaired by Prime Minister Tomiichi Murayama). He added, however, the preliminary report should include definite proposals, saying "contents are more important than procedures."

The 24 February talks were held mainly between division-chief-level officials of the Japanese Foreign Ministry and the U.S. State Department. As for the details of Japan's deregulation package, U.S. officials put emphasis of discussion on distribution industries. While Japanese officials said revision of the Large-Scale Retail Stores Law is a "medium-range target," the U.S. counterparts demanded "definite date for the revision must be clarified."



### Murayama 'Has No Firm Idea' on Deregulation

OW2602124595 Tokyo ASAHI SHIMBUN in Japanese  
25 Feb 95 Morning Edition p 3

[FBIS Translated Text] Now that the Deregulation Study Committee submitted a report on 24 February to the Administrative Reform Promotion Headquarters, which consists of all cabinet members, the government and ruling parties will start the full-fledged work of shaping a five-year plan for the relaxation of regulations by the end of March.

Prime Minister Tomiichi Murayama, who upholds the policy of "caring about the people," sees the relaxation of regulations as important, but he seems to be increasingly thinking of the need to ease the regulations in a way that the relaxation of regulations does not punish the underprivileged in society. The Murayama government has yet to decide on a basic policy of how to relax the regulations. If the debate on the relaxation of regulations enters the stage of details, lawmakers and government ministries and agencies would move to protect their respective interests. As a result, there is a possibility that the relaxation of regulations will end up as an empty shell, as in the case of the reform of special public corporations.

What is notable recently is that the government is taking an ambiguous stance on deregulation.

The United States has asked Japan to release an "interim report" before it shapes a five-year plan for the relaxation of regulations. Commenting on the request from the United States at a news conference on the evening of 23 February, Chief Cabinet Secretary Kozo Igarashi indicated that Japan would not go along with the U.S. request by saying: "It will take time to compile such a report, and it is difficult for Japan to release it." Only three hours later, Prime Minister Tomiichi Murayama, Foreign Minister Yohei Kono, and International Trade and Industry Minister Ryutaro Hashimoto met at the prime minister's official residence to overturn Igarashi's comment and decided to go along with the U.S. request.

The prime minister's official residence backed down from its position of not accepting the U.S. request in the face of the argument by Kono and Hashimoto that "the mishandling of the relaxation of regulations will become a serious diplomatic issue." At the meeting, Hashimoto said: "The government must grapple more vigorously with the relaxation of regulations than it did with the reform of special public corporations." Management and Coordination Agency Director General Tsuruo Yamaguchi and Kono expressed their intention to play a role of coordinating the work of relaxing the regulations.

The prime minister himself seems to feel a sense of incongruity with the argument that the business community should lead the relaxation of regulations. He once stated: "In the world, there are the weak and the strong. I will keep intact regulations that protect social fairness."

The prime minister has no firm idea of how to promote the relaxation of regulations.

On 21 February, the prime minister met with officials from the Management and Coordination Agency who visited his official residence to brief him on plans to shape the five-year plan. During the meeting, the prime minister repeatedly asked: "How should the deregulation be promoted?" One of the attendees at the meeting said afterward: "The prime minister thought of the relaxation of regulations as necessary to revitalize Japan's economy. But he seemed to be agonizing over how to balance the deregulation and social fairness."

The prime minister has stressed the need to largely narrow the price differences between Japan and other industrial nations from his position of attaching importance to consumers. Narrowing the price differences involves abolishing the farm produce price support system and, for that reason the ruling Liberal Democratic Party and the Social Democratic Party of Japan will undoubtedly react against abolishing the system. Government ministries and agencies are working on the details of what they should incorporate in the five-year plan according to their own plans. If the work of relaxing the regulations starts under the present situation where the government has yet to put forth a clear-cut deregulatory policy, this would leave the relaxation of regulations in the hands of bureaucrats with much time spent on the coordination of interests among government ministries and agencies, and the work of relaxing the regulations would end up making accounts balance [chojiriawase].

### Hata Tells Gore NFP To Demand Deregulation

OW2502032895 Tokyo KYODO in English 0307 GMT  
25 Feb 95

[FBIS Transcribed Text] Washington, Feb. 24 KYODO—Vice President Al Gore told Former Japanese Prime Minister Tsutomu Hata oniday that Japan should step up efforts to further cut regulations, Japanese officials said.

In a meeting with Hata, Gore said the reported steps made toward derethe Japanese Government have failed to fully satisfy the United States, and Japan should make greater advances toward regulcuts, they said. Gore also urged Japan to follow the outcome of bilateral framework trade talks.

In response, Hata said, "Japese people have paid increasing attention to the gap between prices inside and outside Japan. Though our group is an opposition party, we will strongly demand the go (deregulate)."

Hata, who served as prime minister between April and June last year, is now deputy head of Japan's largest sition party Shinshinto (New Party). Hata was in Washington on his way home from Europe where he attended a Japan-European Union meeting.



**Deregulation Requires Private Sector Monitoring***OW2602123895 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Feb 95 Morning Edition p 2*

[Editorial: "Do Not Let Deregulation Programs Back-track"]

[FBIS Translated Text] The government's deregulation programs must not be allowed to go backwards. Here and there we can see signs of some people trying to block the deregulation efforts, using as excuses the pending issues of the great Hanshin earthquake and the credit associations' solvency. The government must sit tight and go ahead with deregulation. In a 24 February meeting of the Administrative Reform Promotion Headquarters (headed by Prime Minister Tomiichi Murayama), the study committee on deregulation presented written opinions containing requests from intellectuals in the private sector on the government's "five-year plan for promotion of deregulation" which is due to be finalized by the end of March.

The opinion paper stresses that deregulation provides a way of realizing a socioeconomic system which cares more about consumers while keeping liberalization and necessary controls in balance. Deregulation thus can bring about a flexible society with a large middle class, the statement said. Key points of its proposals are: 1) to forego the basic thinking of regulating the economy to adjust supply and demand; 2) to revise and limit social regulations; 3) to improve and strengthen employment programs; and 4) to set up a third-party follow-up organization once the plan is formulated and adopted.

The paper contains views not seen in the government-led discussions, and the requests made in it are appropriate and important. It sets a target (within five years) to complete getting rid of economic controls. It actively seeks to tie deregulation to the expansion of employment. The government should accept the written opinions solemnly and sincerely, and reflect them in its deregulation plan.

The Management and Coordination Agency's survey conducted at the end of March 1994 on the status of permits and licenses showed that for the first time since the survey started in 1985, their number dropped [over the previous year], but it also showed that we are still living in a whirlpool of more than 10,000 permits and licenses.

About 40 percent of the substance of the given opinions refers to "rigid regulations" that require permits, approvals, licenses, or authorization. Excessive controls are the reason why the gaps in domestic and foreign prices do not diminish and why the standards of living do not rise.

The trend of thought expressed in the paper about the "economy needing to be free from control in principle, and subject to control only in exceptional cases" also conforms with the thinking of the Third Administrative

Reform Commission. The view on abolishing controls such as those on breaking into the market, investments in plant and equipment, imports, and prices—thought necessary from the perspective of adjusting supply and demand—is rational and clear.

So far, the administration has justified the exercise of economic controls with the excuse of adjusting supply and demand, and has even thought it was its mission to exercise such controls. Such controls are not suitable for today's socioeconomic system, which has become globalized and in which so many needs exist. Those in the administration must change their way of thinking and do everything to come up with clever ways of enlivening the market through deregulation.

With fewer and fewer arbitrary administrative controls, the economic structure would become more and more transparent. And the country could respond to the criticism from other countries that "Japan's deregulation is only a gesture." But as long as the nation accepts the need to be free of controls in principle, the private sector must be prepared to be asked to take responsibilities as well.

We agree with the view in the paper that social controls should be limited, as much as possible, to only those necessary for policy purposes. That is because both the meaning and expression of social controls are ambiguous, and are liable to be made sacrosanct and untouchable. It is necessary to appreciate its meaning, based on the demands of society and the changing of the times.

The paper's proposals on follow-up actions once the deregulation plan is adopted are also good. In administrative reform programs so far, so many of them have been left undone or half-done. No one can disagree with the view that deregulation "should be checked on a permanent and regular basis and reviewed systematically from the viewpoint of the private sector."

Deregulation will take shape and become real as set forth in the plan only when a private-sector-led organization watches its progress and checks on the issues that are left unresolved.

**Editorial Urges Public Views on Deregulation***OW2502030995 Tokyo ASAHI SHIMBUN in Japanese 22 Feb 95 Morning Edition p 5*

[Editorial: "Listen to the People's Voices on Deregulation"]

[FBIS Translated Text] Low-priced beer is not a rarity anymore. This has been made possible by the National Tax Administration Agency's deregulation of liquor sales business licenses, and major supermarkets' aggressive campaigns to sell cheap foreign beer.

The number of portable phones being used has risen sharply, due to a similar reason. The Ministry of Posts and Telecommunications revised regulations that only allowed portable phones to be rented but not sold, and



enabled the phones to be sold. That prompted competition within the industry, and consequently, phone charges as well as the price of phones themselves have gone down.

One is apt to think that deregulation is something far away that does not concern us. But actually, it can play a role in making our lives abundant, for instance, by lowering prices of things that are close to us.

In Japan, about 40 percent of economic activities are subject to some kind of public regulation. It is a "regulation superpower." The total number of regulations runs to some 11,000. Many of them might have had an appropriate meaning when they first came into being, but now they are justification for raising commodity prices, impeding economic activities, and killing international competitiveness. That is why deregulation has become an important task facing the government.

In particular, regulations controlling entry into the market—like the one on liquor sales business licenses—should be abolished. Decisionmaking on public utility charges, such as taxi fares, should be improved in a daring manner.

Notwithstanding such economic regulations, social regulations governing the environment need to be retained. Regulations on land utilization and safety of foodstuffs need to be toughened, for instance. But we also see instances of industries and bureaucrats trying to hang on to old regulations and thus the interests derived therefrom, on the excuse they are needed to assure safety. The vehicle inspection system is one example.

This system came into being in 1951 when there were problems with automobile performance. Does the old process of inspections need to be conducted on a regular basis even now the level of technology has risen so high? Why do the Japanese have to pay tens of thousand of yen or sometimes in excess of 100,000 yen, when people in the United States and European countries can have their cars inspected and approved for only 1,000 to 10,000 yen? This inspection system merits fundamental review.

The government has about one month left until the end of March by which it is supposed to finalize its five-year deregulation plan. The private-sector intellectuals' review committee is set to present its recommendations regarding the plan on 22 February. But the ministries and agencies concerned are not about to make any moves on the matter at all.

The only offices that are being cooperative in formulation of the plan are the Ministry of International Trade and Industry [MITI], which is concerned about Japanese industry losing international competitiveness, and the Ministry of Foreign Affairs, which pays attention to foreign affairs. Even the Councillors' Office on Internal Affairs of the Prime Minister's Office and the Management and Coordination Agency, which are the two

offices in charge of consolidating the plan, are not seen as being willing to push and pull the ministries and agencies on this matter.

Our suggestion is to have all the ministries and agencies announce their respective portions of the draft plan by the end of this month, as a way of assuring that decisions on the plan are made in a way that receives the people's understanding. We suggest that a final draft is decided on only after the views of people concerned inside and outside government offices are heard.

MITI recently made public the "state of review" on 352 deregulation request cases received from within and outside the ministry, listing ministry responses as well as the names of the divisions that handled the requests. Regarding requests on which action of some kind has been taken, the document indicated the substance of the action taken. On requests found unacceptable, the paper gave the reason why they were deemed so. The document represented major progress in terms of making the process of review transparent to the public. We hope other ministries and agencies will follow suit.

Additionally, we would like to request that the five-year plan makes the following possible: It should be revised every year, and to do so, a permanent organization taking private sector views into consideration should be formed. The government should devise indexes to measure the effectiveness of deregulation—covering the number of new entries made into the market and the progress of gap-shrinking between domestic and foreign prices—and make them public every year.

Concerning the study being done on deregulation, the United States and Europe have strong concerns as to how far the government will go toward removing the closed nature and opacity of the Japanese markets.

Prime Minister Tomichi Murayama expressed strong willingness to carry out administrative reform during the Japan-U.S. summit meeting in January and in his policy address to the Diet later on. We hope his government will carry out what is suggested in this editorial at the least.

#### **DA 'Unhappy' About U.S. Forces' Request**

*OW2502113695 Tokyo KYODO in English 1104 GMT  
25 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 25 KYODO—The U.S. Forces in Japan have asked the Defense Agency [DA] to build barracks and ammunition depots at maneuver grounds they are to use in exchange for lost exercise ground in Okinawa, southern Japan, Defense Agency sources said Saturday [25 February].

The agency, feeling the restrictions of a tighter budget, said it is unhappy about the request.

"Although there is a limit to Japan's share of operating costs for U.S. troops, the U.S. Forces keep thrusting new demands at us," said the official, who was speaking on



condition of anonymity. "We would like them to be a little more circumspect," agency officials said.

In return for suspending live ammunition drills which force the closure of prefectural road No. 104, the agency has offered nine exercise grounds belonging to the Self-Defense Forces (SDF) outside Okinawa and asked U.S. Forces to hold their live ammunition drills there.

The U.S. side demanded facilities such as new barracks and ammunition depots at the offered exercise grounds, which are similar to the barracks and ammunition depot the Defense Facilities Administration Agency built at Camp Fuji, which neighbors the Higashi-Fuji exercise ground in Gotemba, central Japan, the sources said.

In an effort to strike a compromise, Tokyo has reportedly proposed that the soldiers live in tents during their short-term stay at the exercise grounds and offered to shoulder the costs for moving the troops from their bases in Okinawa.

"We cannot afford to disburse several billions of yen for facilities that are being used only several days a year and to build barracks. These demands take advantage of Japanese weaknesses," a senior agency said.

On Feb. 18, Defense Agency Director General Tokuchiro Tamazawa presented to Okinawa Gov. Masahide Ota a plan to scale back U.S. bases in the prefecture.

It is the first serious response to long-standing calls by Okinawa residents for total removal of the bases.

Ota welcomed the proposal as "a step forward in a sense" although he reiterated his request for the eventual removal of all U.S. military facilities from Okinawa.

The government's proposal includes the return of Naha Port to Okinawa in exchange for building an alternative military port on Okinawa's main island and the return of the Yomitan Auxiliary Airfield on condition the parachute drill facilities there be relocated to Camp Hansen.

Shooting drills on a firing range crossing the prefectural highway would be cut sharply by shifting most of the exercises to other drill sites in Japan, according to Tamazawa.

#### **MOFA Plans To Push U.S.-Proposed TMD Project**

*OW2502050495 Tokyo SANKEI SHIMBUN in Japanese 25 Feb 95 Morning Edition p 1*

[FBIS Translated Text] The Ministry of Foreign Affairs [MOFA], in an internal document formulated on 24 February, launched a plan to actively promote the Theater Missile Defense [TMD] project as a major step toward the reconstructing of the Japan-U.S. security framework. Its action comes in response to the "security policy toward East Asia-Pacific region" adopted by the Clinton administration.

MOFA intends to incorporate the plan as a highlight of a joint communique to be issued by Prime Minister Tomiichi Murayama and U.S. President Bill Clinton when he visits Japan to attend an unofficial summit meeting of the Asia Pacific Economic Cooperation [APEC] in November.

In discussing the Japan-U.S. security framework, the document points out: "As it is difficult for Japan to ensure the nation's security by itself, peace will be maintained under the bilateral security framework"; and "maintaining alliance relations and the smooth operation of the Japan-U.S. security system is also important for the Asia-Pacific region."

Furthermore, it cites six areas to be "examined" when reconstructing the bilateral security framework. These are: The TMD project; exchanges of defense technology; the sharing of the financial burden of U.S. Forces in Japan; the reorganization and consolidation of U.S. military bases on Okinawa; U.S. military exercises; and the agreement on financing commodities and services [buppun ekimu yutsu kyotei].

The document especially emphasizes the U.S.-advocated TMD—a defense system to protect allies and friendly nations from intermediate range ballistic missile attack by using military satellites—as an "important project in conducting smooth and effective operation of the Japan-U.S. security system." However, the TMD project has no specific outline. Therefore, the document notes "the need to strengthen Japan-U.S. relations through mutual exchanges of defense technology to ensure effective operation of the Japan-U.S. security system." In this way, it clearly indicates MOFA's positive stance on promoting the TMD project.

Meanwhile, the document also stresses the importance of firmly maintaining the current policy to share the expenses for U.S. Forces in Japan, saying: "The government will handle the issue in an appropriate manner." Regarding the downsizing of U.S. military bases on Okinawa, it says: "We will make efforts to achieve progress while seeing to it they are in harmony with carrying out of the purpose of the security treaty."

#### **Tokyo To 'Positively' Assess Pentagon Report**

*OW2502124295 Tokyo YOMIURI SHIMBUN in Japanese 25 Feb 95 Morning Edition p 2*

[FBIS Translated Text] In a "Report on East Asian Strategies" (re-revised version), which the Pentagon will announce in the near future, the United States plans to stress the importance of maintaining U.S. military power in the Asia-Pacific region. In this regard, the Japanese Government thinks that "fundamentally, this is not different from the U.S. policy of the past," (according to a Foreign Ministry source). However, the Japanese Government plans to positively assess the report by saying that "the U.S. presence will continue to be important for



peace and stability in the Asia-Pacific region and that it will be of significance to reconfirm it," (said the same source).

Regarding the Japan-U.S. Security Treaty, which is the core of the security in the region, in particular, Japan and the United States are studying measures designed to attach importance to and strengthen functions of the treaty. They are doing this because they share the same thinking that it is necessary, on the occasion of the 50th anniversary of the end of World War II, to confirm once again the importance of the Japan-U.S. relations and the Japan-U.S. Security Treaty, which is the backbone of the bilateral ties.

Moreover, some people in both countries are beginning to raise this question: "Is the Japan-U.S. Security Treaty needed even after the Cold War?" To allay such a concern, the Japanese Government has decided to positively assess the report. It is also true that the government made the decision against the background of the view that it is necessary to send a message once again to the people of both countries on the significance of the Japan-U.S. security ties.

#### **Tokyo Considers Financial Share for DPRK Reactors**

*OW2602153495 Tokyo ASAHI SHIMBUN in Japanese  
25 Feb 95 Morning Edition p 1*

[FBIS Translated Text] Now that the Korean Energy Development Organization (KEDO) is set to be established in early March with the mandate to handle the construction of light-water reactors in North Korea and the supply of heavy fuel oil to that country, the Foreign Ministry has firmed up its plan to coordinate domestic opinion with a plan for Japan to bear about 25-30 percent of the cost of building the light-water reactors in North Korea. Prime Minister Tomiichi Murayama has stated, "As a nation whose security is closely linked to North Korea, Japan will play a significant financial role next to South Korea." The Foreign Ministry has concluded that Japan needs to bear that amount in light of the prime minister's statement. Though the KEDO will decide on the total cost of building the light-water reactors after examining a report to be compiled by a survey team that is to be sent soon to North Korea, the cost is estimated at \$4 billion and Japan would bear about \$1.0-1.2 billion (approximately 100-120 billion yen).

U.S. Defense Secretary Perry has remarked, "Much of the cost will be borne by South Korea and Japan," and many U.S. Government officials share the defense secretary's view. The opposition New Frontier Party (NFP) has pointed out that the Japanese Government has overly followed the U.S. lead in establishing the KEDO. Controversy is likely to arise in the Diet over Japan's sharing of the cost.

The KEDO will be set up under an agreement which was signed by high-ranking U.S. and North Korean officials

on 21 October 1994 as a framework agreement for clearing up suspicions about North Korea's nuclear development and improving relations between the United States and North Korea. About 10 nations are expected to attend an inaugural meeting scheduled for 7 March. Japan, the United States, and South Korea will make up the KEDO council and will play a key role in deciding on the sharing of the cost and negotiations with North Korea.

The KEDO will conclude a contract with North Korea on the supply of light-water reactors by 21 April, or six months after the agreement signed between the United States and North Korea. The KEDO will calculate the total amount of financial assistance and the sharing of the amount by individual nations on the basis of the report to be submitted by the survey team.

The Japanese Government is likely to exchange views on the sharing of the financial assistance with U.S. Assistant Secretary of State Winston Lord who will visit Japan from 2 to 4 March, (according to a Foreign Ministry source). The Foreign Ministry plans to decide on Japan's sharing of the financial assistance after a thorough consultation with the U.S. officials.

The government has taken the view that: 1) it is a matter of course that South Korea, which is geographically closest to North Korea, bears more than one-half of the cost; 2) with the Republican-controlled Congress showing its deep-seated distrust of the U.S.- North Korea agreement, Japan has to shoulder much of the remaining cost; and 3) the international opinion is that South Korea will bear 70 percent of the cost and Japan 30 percent of it, (a source familiar with the Japan-U.S. relations has said). The government is believed to have concluded that Japan has to bear 25-30 percent of the cost on the basis of this view.

The attention will focus on how the Japanese Government raises the fund of more than 100 billion yen and how it provides the money. Some suggest use of the Export and Import Bank of Japan to raise the fund, but the government is still undecided about the number of years the fund should be included in the budget. With regard to the character of the fund, the Foreign Ministry is poised to provide the fund in "loans," (according to a top Foreign Ministry official), but it hinges on how the KEDO and North Korea will negotiate. There are a lot of uncertain factors.

For that reason, the Foreign Ministry is expected to face a difficulty in coordinating domestic opinion. The NFP insists that "if Japan is to provide financial assistance, it should reflect what it thinks of running the KEDO," (according to Michihiko Kano in charge of foreign policy in the Government-Takeover Preparation Committee). In this way, the NFP is raising questions about the government's diplomatic stance. It seems that the government will go through twists and turns before it shapes a national consensus.



**DPRK Said Building New Ballistic Missile***OW2502130095 Tokyo SANKEI SHIMBUN in Japanese 24 Feb 95 Morning Edition p 3*

[FBIS Translated Text] Tokuichiro Tamazawa, director general of the Defense Agency [DA], disclosed at a lower house budget committee meeting on 23 February that North Korea had started developing a missile whose range is longer than that of the medium-range ballistic missile "Nodong No. 1," which has 1,000-km range.

On the development of North Korea's long-range ballistic missile, former South Korean Defense Minister Yi Pyong-tae, in a report submitted to the National Assembly last June, stated that North Korea was developing missiles called Taedong No. 1 and No. 2, with a range exceeding 1,000 km.

**World Bank Urges Tokyo's Continued Contribution***OW2702132095 Tokyo KYODO in English 1209 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—A senior official of the World Bank urged Japan on Monday [27 February] to continue contribution to development across the world while noting Japan is already a very important contributor.

Callisto Madavo, director for the East Asia and Pacific region at the World Bank, said, "Japan has become one of major providers of resources that are useful to support development programs and Japan has increasingly been contributing in terms of ideas and its own experience of development."

"So, my expectation is that Japan will continue to play this role on a global level... in East Asia in particular," Madavo said in an interview with KYODO NEWS SERVICE.

Madavo, who attended the two-day international conference on development of three Indochinese countries—Vietnam, Cambodia and Laos—applauded the Japan-sponsored first ministerial meeting of its kind, saying, "all in all, I think Japan can be very pleased with the outcomes of this forum."

The forum for comprehensive development of Indochina, originally proposed in January 1993 by then Prime Minister Kiichi Miyazawa, ended earlier in the day.

It was a very successful meeting because its four objectives were achieved, Madavo said.

Giving "political impetus" to the needs of the three nations in terms of assistance for development and encouraging supporting countries to link their assistance across the region have been achieved, Madavo said.

Also yielded was good consensus on important priority areas—infrastructure, human resources, and trade and

investment, including the environment—where donors should share information, he said.

It was also recognized that the forum will "complement (and) not replace," other mechanisms to assist developing programs, he said.

As for roles of the World Bank to help develop the three member countries, Madavo said it has many facets.

Going beyond just providing money, the World Bank provides advice based on its annual economic reports analyzing their economies. It also helps coordination of development aid, and give technical assistance, Madavo said.

Although priority differs in each of the three countries, infrastructure, human resources, capacity building, transition to market economy and environment are common key aspects of the World Bank's development policy for the Indochinese nations, he said.

**Reaction to Collapse of British Barings Group****Tokyo Stocks 'Sharply Lower'***OW2702004295 Tokyo KYODO in English 0030 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Tokyo stocks opened sharply lower Monday [27 February] as investors rushed to sell in the wake of massive losses related to the Nikkei-index futures by Baring Securities Ltd., a subsidiary of the British merchant banking Barings group.

Almost no issues were traded because of a lack of buyers, traders said.

The 225-issue Nikkei stock average fell 277.64 points to 17,195.30 in the first 15 minutes of trading.

The first-section composite Tokyo Stock Price Index (Topix) lost 21.52 points to 1,349.44.

Second-section issues were lower.

**'Massive Selling' Foreseen***OW2702001695 Tokyo KYODO in English 2353 GMT 26 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Massive selling is expected from the outset of trading Monday [27 February] on the Tokyo Stock Exchange (TSE) of issues linked with the Nikkei-225 futures following the collapse of the British merchant bank Baring Brothers, industry sources said.

Barings PLC was plunged into crisis last week because a trader at its brokerage branch in Singapore had run up huge losses in unauthorized derivatives trading which wiped out the parent company's capital and reserves.

A trader at Kosei Securities Co., an Osaka-based brokerage specializing in futures trading, said, "All the



issues selected as Nikkei-225 will face great selling pressure. And such selling will pull down all the stock prices in the cash markets here."

"The Bank of England is the only institute which can support Barings, but I believe even the central bank can nothing for it," he said.

The Bank of England has announced that Barings could not continue trading and it had applied to be placed under administration.

According to a report by the NIHON KEIZAI SHIMBUN, the TSE has been considering countermeasures for the possible chaotic trading Monday.

These measures include suspending all cash trading for 15 minutes if futures-linked trading fluctuates too wildly.

Thirty minutes before the market was scheduled to open, the TSE would only say it was considering "effective measures."

TSE officials said they will suspend market participation in the Tokyo branch of Baring Securities Ltd. for a while starting Monday in the wake of a report of financial difficulties in the parent company.

The exchange said it will monitor details from the top executives of the branch about the current financial situation of the company which is a TSE member.

A TSE official said there is possibility that Baring will not be able to settle stock and bond transactions.

The Osaka Securities Exchange took the same measure.

#### **'Temporary' Market Plunge**

*OW2702132695 Tokyo KYODO in English 1311 GMT  
27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Prime Minister Tomiichi Murayama said Monday [27 February] he views the Tokyo stock market plunge triggered by the collapse of Britain's Barings PLC as a temporary phenomenon.

Murayama told reporters Monday's development in the market did not reflect the real state of the Japanese economy.

Stock prices plunged on the market Monday following reports that the securities arm of British merchant bank Barings PLC has collapsed after suffering heavy losses in derivatives trading.

In a related development Monday, Finance Minister Masayoshi Takemura expressed optimism about the affair, saying no further impact would be felt in the market.

He said government intervention in the market should be avoided.

Vice Finance Minister Jiro Saito expressed serious concern over the development and said the ministry will keep a close watch on future developments in the market.

#### **Jiro Saito's Views**

*OW2702102695 Tokyo KYODO in English 0954 GMT  
27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Vice Finance Minister Jiro Saito expressed serious concern over a stock price tumble Monday [27 February] over the Barings PLC affair.

"We are following it with grave concern," Saito told reporters. "It does not mean that international trust in the Japanese economy has been shaken and it is important to keep a close watch on future developments."

Prices tumbled on the Tokyo Stock Exchange on Monday on the news that the securities arm of British merchant bank Barings has virtually gone bankrupt after suffering heavy losses in derivatives trading.

#### **Igarashi: 'Temporary' Fallout**

*OW2702103395 Tokyo KYODO in English 1013 GMT  
27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Monday's [27 February] stock market plunge on the collapse of British merchant bank Barings PLC is likely to be temporary, top government spokesman Kozo Igarashi said Monday.

The Barings debacle has not shaken confidence in Japan's economy, the chief cabinet secretary told a news conference.

"The stock price decline is not the result of confidence in the Japanese economy being shaken," Igarashi said. "I think the effect on the market was limited."

The benchmark Nikkei stock average plunged more than 3 percent Monday along with other Asian markets on news that Barings' Singapore brokerage unit lost more than 790 million dollars on derivatives trading linked to Nikkei futures and that the Bank of England was unable to arrange a rescue of the institution.

Igarashi said the government "will continue to monitor market movements."

His comments followed remarks by Vice Finance Minister Jiro Saito that the government is greatly concerned about the plunge but that confidence in the economy is unscathed.

#### **Traders, Bureaucrats Comment**

*OW2702035695 Tokyo KYODO in English 0337 GMT  
27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—The report that Barings PLC has experienced huge unexpected losses in futures trading in Singapore prompted



massive selling Monday [27 February] morning which drove the Nikkei average down by over 800 points, market participants said.

The Nikkei average of 225 selected issues, the benchmark of Japan's stock trading, lost 802 points to close the morning session at 16,670. It dropped below 17,000 for the first time since Dec. 27, 1993.

Barings has suffered a 500 million pound loss at its Singapore brokerage as a result of one trader there dealing in unauthorized derivatives. The bad transactions include trading linked to Nikkei-225 futures, brokerage sources said.

Stock investors in Tokyo began the day with wide-range selling on speculation that the futures trading will badly affect the currency market.

A trader at Yamaichi Securities Co. said, "It was very difficult to join the market as a major part of the bad transaction by Barings was unknown."

The Tokyo Stock Exchange and the Osaka Securities Exchange suspended market participation in Baring Securities Ltd., a Tokyo branch of Barings, for a while starting Monday as there is possibility that the Tokyo bureau will not be able to settle stock and bond transactions.

The Yamaichi trader said, however, "there seemed no panic trading throughout the two-hour morning session as the trading volume was so thin."

Japan Securities Dealers Association also announced a tentative suspension of Baring Securities for trading on the over-the-counter market.

In an unprecedented move, Mitsuhide Yamaguchi, the TSE president, said in a statement the exchange will take a close look at all the transactions to maintain sound stock and bond trading in the market.

Yamaguchi also called on investors and securities houses to carefully monitor the situation.

Yasuo Ueki of Nikko Securities Co. said, "recently, the Tokyo stock market has been suffering from a bad buyer-seller imbalance. The news of Baring is a very negative factor, but individual investors may start picking up issues for bargain hunting after such a big setback."

He pointed out that many individual investors hunted for construction-related stocks after the great Hanshin earthquake last month.

"Likewise, the investors may place selective buy orders after the hefty 800-point loss in terms of the Nikkei average," Ueki added.

The Finance Ministry's Securities Bureau said it will closely watch developments in the financial industry resulting from the virtual bankruptcy of the British banking institution.

The bureau, responsible for supervising the brokerage industry, said it has begun considering acting jointly with the TSE on measures to prevent turmoil in the markets.

A ministry official said the Tokyo branch of Barings may close its office and the ministry is considering how to protect the financial assets of Barings' clients.

### OSE, TSE Said Coping

*OW2702123995 Tokyo KYODO in English 1213 GMT 27 Feb 95*

[FBIS Transcribed Text] Osaka, Feb. 27 KYODO—The Osaka Securities Exchange [OSE] may draw on untapped reserves to settle trading position estimated at nearly 300 billion yen by the brokerage arm of collapsed merchant bank Barings PLC, officials said Monday [27 February].

The Tokyo Stock Exchange [TSE], meanwhile, said it will suspend the exchange membership of Baring Securities (Japan) Ltd. from Tuesday in the wake of ruinous stock-futures losses by the British firm's Singapore branch. The suspension will last "for the time being" until outstanding transactions have been settled, it said.

Barings essentially went bust Monday after losing some 800 million dollars in trading on futures traded in Osaka and Singapore and linked to Japan's Nikkei stock average, with one trader reportedly betting the wrong way massively in the tumbling market.

Baring Securities' outstanding Nikkei futures balance in Osaka is for 16,000 contracts, estimated at 280 billion yen, the Osaka officials said. It is unclear what the losses will be when the positions are liquidated but it is feared they will be huge.

If Barings' assets from its trading deposits cannot cover the trading positions, the exchange will draw on a so-far unused 6.1 billion yen reserve fund established by its 122 member firms to protect investors in the event of losses involving breach of contract, the officials said.

If the reserve is not enough to cover the losses, the exchange will have to seek other ways of finding the money.

The exchange is expected soon to formally ask other brokers to take over transactions for Barings customers so that it can settle the brokerage's positions, which an exchange official noted is a precondition for confirming the size of the losses.

Officials declined to say when they will act, but an obvious deadline is March 10, the date for special quotations to settle Nikkei March futures contracts, thought to be at the root of the calamity.

### Framework for Credit Union Rescue Plan To Remain

*OW2602095395 Tokyo KYODO in English 0933 GMT 26 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 26 KYODO—Finance Minister Masayoshi Takemura, Bank of Japan



Governor Yasuo Matsushita and Tokyo Gov. Shunichi Suzuki agreed Sunday [26 February] to keep intact the financing framework for the government's rescue plan for two moribund credit unions, officials said.

In an emergency meeting held in the Tokyo Metropolitan Government office, the three agreed to seek the Metropolitan Assembly's support for 30 billion yen in assistance from the Metropolitan Government for the relief scheme.

The Metropolitan Government, which supervises the two credit unions—Tokyo Kyowa Credit Association and Anzen Credit Bank—has submitted a bill to the assembly to earmark 30 billion yen to support the rescue plan in its supplementary budget for fiscal 1994.

But the plan has been criticized by assembly members who see no need to bail out the two credit unions, which have gotten into financial trouble because of poor management.

Takemura has defended the bailout plan by saying that its principal objective is to maintain financial order.

The Bank of Japan and two private financial institutions established in January a special rescue bank, Tokyo Kyodou Bank, for the two credit unions, with the central bank supplying 20 billion yen of its 21.4 billion yen initial capital.

Sumitomo Bank and a credit union association shelled out the remaining capital. Tokyo Kyodou Bank's capital is expected to rise to 40 billion yen with investments by other commercial banks.

Tokyo Kyodou Bank is expected to take over in March the operations of the two credit unions, which are fettered by over 150 billion yen in bad loans.

## **Reportage on Rescue Plan for Credit Unions**

### **Takemura Seeks Support**

*OW2702103495 Tokyo KYODO in English 0951 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Finance Minister Masayoshi Takemura appealed to ruling coalition parties Monday [27 February] to support a bailout plan for two beleaguered credit unions in Tokyo, party officials said.

Takemura took the step amid reports that the Tokyo Metropolitan Assembly may override the plan coined by the Finance Ministry, the Bank of Japan and the Tokyo Metropolitan Government.

Takemura told a session of ruling party leaders that the rescue of the two unions is an unavoidable step to ease the impact of the affair on other financial institutions hit hard by the burst of the domestic bubble economy, the officials said.

The plan calls for establishment of a new institution with public funds to take over the two credit unions—Tokyo Kyowa Credit Association and Anzen Credit Bank.

Yoshiro Mori, secretary general of the Liberal Democratic Party, the largest of the three ruling parties, said he will try to seek support of the Tokyo Metropolitan Assembly for the plan, the officials said.

### **Murayama Backs Bailout**

*OW2702110695 Tokyo KYODO in English 1044 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Prime Minister Tomiichi Murayama said Monday [27 February] the purpose of setting up a special rescue bank, Tokyo Kyodou Bank, is not to help two financially troubled credit unions but to preserve trust in Japan's financial system.

The new bank is "the conclusion coming from (an idea) that it is important to keep trust order in Japan's financial (system) and not to generate distrust," Murayama told reporters.

The government has come under criticism for helping the private banks' financial troubles by setting up a new rescue bank.

Murayama, however, renewed his determination to promote a probe into the bad loan-ridden credit unions, Tokyo Kyowa Credit Association and Anzen Credit Bank, saying, "it should be natural to clarify the facts and the responsibility of the dubious managements."

Murayama was responding to reporters' questions at the Diet building after the House of Representatives passed the fiscal 1995 budget bill.

In January, the Bank of Japan and two private financial institutions established Tokyo Kyodou Bank to take over the operations of the two credit unions, which have been plagued by nonperforming loans totaling more than 150 billion yen.

On government measures following the Jan. 17 Great Hanshin Earthquake, Murayama said, "it is important to rebuild Hyogo Prefecture and the City of Kobe by considering the direction in which the local (residents) want to head."

The quake, Japan's worst in 72 years, devastated an extensive area centering on Kobe and vicinity, claimed over 5,400 lives and left tens of thousands of people homeless.

### **NFP Opposes Government Plan**

*OW2702112495 Tokyo KYODO in English 1055 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—Leaders of New Frontier Party [NFP] agreed Monday



[27 February] to oppose the government-initiated establishment of Tokyo Kyodou Bank, a special rescue bank for two financially troubled credit unions, party sources said.

The leaders of the largest opposition force in the Diet also agreed to make a concerted effort to have Finance Minister Masayoshi Takemura assume responsibility for the financial debacle.

Party leader Toshiaki Kaifu told reporters that the process of creating the rescue bank was "very unclear" and that "using public money to bail out a financial institution goes against the principles of individual responsibility."

"Why must we help this time? We cannot permit standards to be unclear," Kaifu said.

Meanwhile, Takeo Nishioka, a key member of the party's shadow cabinet, denied that the administration of former Prime Minister Morihiro Hosokawa, now in the opposition, was responsible at that time for overseeing the credit unions' affairs.

"This is sidestepping the issue. The Hosokawa government is absolutely not to blame. The finance minister can only answer a little who decides when and where and to what standard the Tokyo Kyodou Bank will be established," said Nishioka.

He criticized plans to set up the bank, saying "it has never been made clear how the Japanese financial system will be shaken" if the bank was not established.

The Tokyo Metropolitan Government, which supervises the credit unions, Tokyo Kyowa Credit Association and Anzen Credit Bank, has submitted a bill to the assembly to earmark 30 billion yen in low-interest loans in its supplementary budget for fiscal 1994 to support the government's rescue plan.

The metropolitan government assistance is key to the central government's bailout plan.

The metropolitan government supplementary budget could be rejected at a plenary session March 9 because the Japanese Communist Party and other assembly members have also gone on record as opposing the plan.

In January, the bank of Japan and two private financial institutions established Tokyo Kyodou Bank for the two credit unions, with the central bank supplying 20 billion yen of its 21.4 billion yen initial capital.

Sumitomo Bank and a credit union association shelled out the remaining capital. Tokyo Kyodou Bank's capital is expected to rise to 40 billion yen with investments by other commercial banks.

Tokyo Kyodou bank will take over the operations of the two credit unions which are set to be dissolved March 20.

In an emergency meeting Sunday, Takemura, Bank of Japan Governor Yasuo Matsushita and Tokyo Gov.

Shunichi Suzuki agreed to keep intact the financing framework for the government's rescue plan for the two credit unions.

The three agreed to seek the metropolitan assembly's support for a 30 billion yen loan for the relief scheme.

### Officials Reject Takemura Plan

OW2502103595 Tokyo KYODO in English 0837 GMT  
25 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 25 KYODO—Senior Finance Ministry officials last month turned down a suggestion by their minister that two financially troubled credit unions pay no interest on their large-lot deposits, ministry sources said Saturday [25 February].

Finance Minister Masayoshi Takemura made the suggestion during a meeting with senior officials of the ministry's banking bureau while discussing bailout measures for the Tokyo Kyowa Credit Association and Anzen Credit Bank, the sources said.

Takemura also asked if it would be possible for the unions to cut their deposits by a certain ratio, the sources said.

They said the ministry officials turned down Takemura's proposals, saying the government cannot afford to intervene in the private banking business under the present law.

The credit unions, which fell into difficulty through financial mismanagement, will be dissolved in March and their operations will be handed over to Tokyo Kyodou Bank, a specially established relief bank, under the bailout program.

Takemura's proposal followed public criticism that the program tended to favor large-lot depositors.

### Matsushita, Takemura on Loans

OW2702151595 Tokyo KYODO in English 1435 GMT  
27 Feb 95

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—The head of the Bank of Japan [BOJ] and the finance minister have proposed that the Tokyo Metropolitan Government extend 30 billion yen in low-interest loans in an installment program to help bail out two failed credit unions, informed sources revealed Monday [27 February].

Yasuo Matsushita, governor of the Bank of Japan, and Finance Minister Masayoshi Takemura made the proposal when they met with Tokyo Gov. Shunichi Suzuki at city hall on Sunday, the sources said.

Matsushita and Takemura were quoted as saying they hopes Suzuki will come up with such a proposal to obtain the consent of the Tokyo Metropolitan Assembly to give the requested loans for the rescue of Tokyo Kyowa Credit Association and Anzen Credit Bank.



The loans, if approved, would be given to a new bank formed specially to take over the operations of the two credit banks.

The Tokyo assembly's Labor and Economic Affairs Committee is to vote Thursday on whether to approve the rescue plan, to be followed by ballots by all assembly members a week later.

Earlier in the day, a Tokyo Metropolitan Government official implied that the Bank of Japan could give extra funds for the rescue plan if the metropolitan government decides against offering help.

If the metropolitan assembly votes against giving the loans, "one of the remaining options that could be taken for the smooth rescue of the banks is for the BOJ to supplement the financing," said an official at the metropolitan government's Bureau of Labor and Economic Affairs.

Aid from the metropolitan government—the supervisor of the credit unions—is seen to be essential for the rescue plan to be successful. There is fear that a vote against offering the loans would drive away financial institutions from cooperating and thus bring down the whole plan.

Such a rejection is possible as anger has mounted about the use of taxpayers' money to help what critics say are "chaotically managed" financial institutions.

During Sunday's talks with Suzuki, Matsushita and Takemura pledged to conduct a thorough probe into the financial trouble of the two credit unions and to urge their executives to take responsibility for their failures, the sources told KYODO NEWS SERVICE.

In addition, they committed themselves to take measures to prevent a recurrence of such an incident, according to the sources.

Tokyo Kyowa Credit Association and Anzen Credit Bank have 150 billion yen worth of nonperforming loans, part of them to be taken over by a newly formed bank, Tokyo Kyodou Bank, on March 20.

The rescue plan calls for the metropolitan government to extend 30 billion yen in loans with an annual interest rate of 1 percent over 15 years.

#### **Lower House Passes Two Budgets**

*OW2702065295 Tokyo KYODO in English 0628 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—The House of Representatives on Monday [27 February] passed the 70.99 trillion yen fiscal 1995 budget, a second supplementary budget for fiscal 1994 and five bills related to the great Hanshin earthquake.

The extra budget to finance the reconstruction of the Kansai area hit by the Jan. 17 killer earthquake was referred to the House of Councillors, which is expected to pass the 1.02 trillion yen budget on Tuesday.

The five quake-related bills are for special financial assistance, exceptional local allocation tax for fiscal 1994, exceptional issuance of government bonds for fiscal 1994, emergency measures for postponement of validity terms for licences and special measures to promote hiring unemployed quake victims for public works reconstruction projects, government officials said.

These laws will enable the government to provide financial assistance to public facilities, shopping centers, private hospitals and other institutions which are not covered by the current disaster laws, they said.

The government will also be able to extend terms of validity for business and other licenses by the end of June at the latest, they said.

Meanwhile, the chairmen of the ruling coalition partners' Diet steering committees approved plans to seek parliamentary approval of the fiscal 1995 budget by March 23, when candidates for 13 gubernatorial elections nationwide are to be registered, coalition officials said.

The elections on April 9 will be the curtain raiser for nationwide local elections in April.

The chairmen also agreed on plans for the lower house Budget Committee to summon the former presidents of the financially moribund Tokyo Kyowa Credit Association and Anzen Credit Bank around March 10 for questioning on their alleged financial irregularities.

The committees' directors earlier agreed on the plans to summon Harunori Takahashi of Tokyo Kyowa and Shinsuke Suzuki of Anzen.

#### **MOF Starting To Work on FY95 Extra Budget**

*OW2702104795 Tokyo KYODO in English 1000 GMT 27 Feb 95*

[FBIS Transcribed Text] Tokyo, Feb. 27 KYODO—The Ministry of Finance [MOF] on Monday [27 February] started preparing a supplementary budget for fiscal 1995 to finance the reconstruction of the quake-devastated Kobe area in western Japan, ministry sources said.

The sources said the extra budget for the year beginning April 1, the second package of spending to expedite reconstruction of the region devastated by the Jan. 17 Great Hanshin Earthquake, will include 2 to 3 trillion yen of appropriations from the national treasury.

The House of Representatives earlier Monday passed the 70.99 trillion yen fiscal 1995 budget, a second supplementary budget for fiscal 1994 and five bills related to the earthquake.

To raise about 580 billion yen in reconstruction funds under the new extra budget, the ministry will call for a freeze on 5 percent of all public works spending, except



for disaster relief work, and a 15 percent cut in administrative expenses in implementing the full fiscal 1995 budget, the sources said.

Such measures, however, are hardly enough to meet capital needs for reconstruction, and the government and the ruling coalition will encourage political debates on tax raises, they said.

The second extra budget for fiscal 1994 included more than 1 trillion yen of appropriations from the national treasury.

### **NFP 'Intends' To Demand Takemura's Resignation**

*OW2502094295 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Feb Morning Edition p 2*

[FBIS Translated Text] During his speech made in Tokyo on 24 February, Toshiki Kaifu, head of the New Frontier Party [NFP], expressed his views about Finance Minister Masayoshi Takemura's handling of the two pending problems—bankruptcy of the Tokyo Kyowa Credit Association and Anzen Credit Bank, and consolidation and abolishment of the government-affiliated banking institutions. He indicated his intention to demand Takemura's resignation, saying, "He should take responsibility for the results."

As for the NFP's strategy for the second half of the current Diet session, Kaifu said: "We will ask about what kind of measures the cabinet plans to take to settle problems related to the two ailing banks. We will also call on the cabinet to assume responsibility for its failure in fulfilling its commitment for special corporation reform and for delays in its initial response to the great Hanshin earthquake." He thus showed his intention to continue seriously urging the Murayama cabinet to take political responsibility for those problems. However, he refrained from indicating NFP's clear-cut attitude for submitting a no-confidence motion in the cabinet.

### **Ozawa's Absence From Office Creating Troubles**

*OW2602134495 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Feb 95 Morning Edition p 2*

[FBIS Translated Text] It has been two weeks since Ichiro Ozawa, secretary general of the New Frontier Party [NFP], was last seen in Nagata-cho [a district in Tokyo where the Diet and government buildings are located]. Trouble seems to be brewing in the NFP. Party executive officials, who have their hands full with such tasks as making arrangements for selecting candidates to run in single-seat constituencies in the next general election, have expressed dissatisfaction, saying: "We are upset since work keeps piling up." The activities of the group which supports NFP Vice President Tsutomu Hata have intensified. Those close to Ozawa have explained that he is "down with flu." However, the fact that he has frequently been seen disappearing at political

turning points, all the more, has given rise to speculation, among other possibilities, that "he is coordinating matters in connection with selecting a candidate to run in the upcoming Tokyo gubernatorial election," or that "he is working on ways to deal with the issue of the bankrupt Tokyo Kyowa and Anzen Credit Associations."

Ozawa reportedly "returned to Tokyo," as stated by his close aide, after holding a family funeral on 19 February in his home town in Iwate Prefecture for his mother Michi, who passed away on 13 February. However, a senior NFP official has affirmed that Ozawa "will stay in his home town until 4 March when the formal funeral will be held." Even NFP Policy Affairs Council Chairman Yuichi Ichikawa, who is very close to Ozawa, has only been informed by Ozawa's office that "Ozawa is ill." Asked when Ozawa is expected to return to his official duties, NFP Public Relations Committee Chairman Satsuki Eda said at a 24 February news conference: "I have not received any information." Eda thus indicated he was completely at a loss over the situation.

The NFP is now in the final rounds of its making arrangements to select official candidates to run in the forthcoming upper and lower house elections, the initial list of which is to be announced in mid-March. The party's election affairs officials are concerned about Ozawa's long absence, saying: "Candidates who had made up their minds to settle with running in proportional representation constituencies may put up resistance unless the secretary general comes out and gives out direct orders."

As if to echo this situation, activities among NFP members who objected to pushing Toshiki Kaifu to head the party and instead threw their support behind Hata during the party's presidential election late last year are becoming marked.

On the evening of 23 February, a party was held at a Chinese restaurant in Nagata-cho to celebrate Morio Kimura's victory in the Aomori gubernatorial election. Although Hata was unable to participate in this party since he was busy on an official tour abroad, nearly all senior officials of the former Shinseito [Japan Renewal Party], excluding Ozawa and his close aides like Moriyoshi Sato, chairman of the NFP General Affairs Committee, and Keisuke Nakanishi, director of the NFP Election Policy Bureau, were present, including the so-called Okuda group consisting of former Transport Minister Keiwa Okuda, former Economic Planning Agency Director General Koichiro Aino, and former Defense Agency Director General Kazuo Aichi, and others such as Eijiro Hata, who is close to Hata, and NFP Acting Secretary General Kozo Watanabe, who takes a neutral stance.

Regarding the distance they have maintained from Ozawa, there has previously been a slight gap between the Okuda group, which has clearly taken an "anti-Ozawa" stance, and the group of NFP Dietmen close to



Hata. However, that evening at the celebration party, the two groups were in high spirits and said: "We have all been saved by Mr. Kimura's victory." This created an impression of their grand union.

Hajime Funada, vice chairman of the NFP Organization Committee, who also attended the celebration, was formally elected as chairman of the "Group To Study the Qualities of Japan's Prime Minister" at the group's meeting held on the morning of 24 February at the Diet Members' Office Building. The creation of the group was initiated by Seiichi Ota and Shigeru Ishiba, junior NFP members supporting Hata. These two Dietmen are still spearheading moves "to drag down Kaifu."

Thus, various movements are beginning to shape in Ozawa's absence—"when the cat's away, the mice will play."

#### **Candidates To Succeed Murayama Speculated**

OW2502021695 Tokyo MAINICHI SHIMBUN in Japanese 22 Feb 95 Evening Edition p 2

[Unattributed article entitled: "The Murayama Government Is Losing Its Cohesive Power"]

[FBIS Translated Text] The government of Prime Minister Tomiichi Murayama has recently been given low marks because of the confusion in the Social Democratic Party of Japan [SDPJ] over a possible split; its slow initial response to the great Hanshin earthquake; and its poor handling of the issue concerning the reform of special public corporations. As its cohesive power is rapidly waning, political parties have now begun to talk about who will succeed Murayama as prime minister, and there is a feud among groups trying to field their own candidates.

#### **Takemura Bashing**

A senior official who used to be a member of the now-defunct Obuchi faction of the Liberal Democratic Party [LDP] said: "If Finance Minister Masayoshi Takemura had kept his low profile a little longer, he would have been supported as a candidate to succeed Murayama. But it is too late." In effect, the LDP has intensified its offensive against Takemura, who was once a hopeful candidate for next premier.

LDP members nurse strong jealousy toward Takemura because he heads Sakigake [Harbinger], which he formed after leaving the LDP, has been reelected to the lower house three times, appointed chief cabinet secretary, and is now finance minister. In addition, they are at odds with him over the issue of merging special public corporations. The LDP criticizes Takemura, saying: "When something happens, he always threatens to leave the coalition government," and "he should be held responsible for the failed attempt to reform special public corporations." Immediately after the Hanshin quake occurred, it was rumored that Murayama might drop the reins of government. The LDP believes: "This rumor

was circulated by Takemura—who hopes to be the next prime minister—to accelerate his political moves," (according to a former minister). The LDP's Takemura bashing appears to be aimed at preventing the possibility of his becoming the next prime minister.

Although the SDPJ is considering forming a new party with Sakigake, it is also critical of Takemura because of its dissatisfaction with his handling of the reform of special public corporations and the recent Mie gubernatorial election.

Facing criticism from, and the indignation of both the LDP and the SDPJ, Sakigake now has a sense of crisis, thinking: "Sakigake was dealt a blow over the issue of merging special public corporations because it handled the question too straightforwardly. If the party keeps on like that, it will be increasingly isolated within the ruling coalition." The party has begun efforts to mend ties with the LDP and the SDPJ.

#### **The SDPJ's Collective Responsibility**

Although Takemura was a candidate for next prime minister, he has now come under fire. Who then is the next likeliest candidate?

The change of prime minister may take place after the April unified local elections at the earliest—if the Murayama cabinet resigns en masse following the elections. And, if the LDP-SDPJ-Sakigake alliance remains as it is, ministerial posts allocated to the SDPJ will be reshuffled.

In this case, Chief Cabinet Secretary Kozo Igarashi, SDPJ Secretary General Watana Kubo, and former Transport Minister Shigeru Ito are expected to emerge as candidates for next prime minister.

Igarashi has long been engaged in administrative work. He once served as mayor of Asahikawa City, Hokkaido, and as construction minister. However, many people say: "If Murayama resigns, the chief cabinet secretary should assume collective responsibility and resign," (according to an LDP official who previously occupied three top LDP posts).

Kubo is the "last resort" for the SDPJ to prevent a rebel intraparty group led by former SDPJ Chairman Sadao Yamahana from leaving the party. Yet, it is said that Murayama supporters within the LDP and SDPJ would not easily soften their stand against him because his acts have shaken the Murayama administration. Ito is unlikely to be the next prime minister as "he is not popular," (according to an SDPJ member). Meanwhile, hoping to produce its own prime minister, the LDP claims: "If Murayama steps down, no one from the SDPJ is eligible for the post of prime minister because the party has failed to support the Murayama government," and "the next prime minister should be selected from among LDP members."

#### **Containment of Senior Members**



A race within the LDP for premiership began after LDP President Yohei Kono and Policy Research Council Chairman Koichi Kato, two rivals who used to be members of the now-defunct Miyazawa faction, were reconciled. When they met on 6 January, Kono disclosed his willingness to run for reelection in the autumn LDP presidential election. Kato pledged his cooperation. On 1 February, Kato, LDP Diet Affairs Committee Chairman Taku Yamasaki, former Posts Minister Junichiro Koizumi, and LDP Secretary General Yoshiro Mori met with Kono and confirmed that they would support him in the presidential election, thus strengthening the unity of new-generation LDP members. Kono and Kato decided to temporarily join hands to promote generational change in the party so that senior members from the former Obuchi faction and other groups will not be able to make a comeback.

This move enraged LDP Vice President Keizo Obuchi, former Secretary General Seiroku Kajiyama, and other members of the Obuchi faction, a splinter group of the former Takeshita faction. At a 2 February meeting of "Kayu-kai," a group made up of senior LDP members, Kajiyama criticized the move and termed it an attempt to contain "former Obuchi faction members."

#### **Many Will Get Into Trouble If the New Administration Lasts**

Nonetheless, the most likely LDP candidate to succeed Murayama is President Kono. A possible scenario is that Murayama will resign after the unified local elections; under Kono's election caretaker government simultaneous elections for both houses will be conducted in July; and Kono will be reelected LDP president following the LDP's victory in the elections. However, members who do not want Kono to be the next prime minister say: "We chose him as LDP president against our will because at that time the LDP presidency did not carry with it the premiership." Others also say: "If the LDP wins the elections under Kono's leadership, the next government will be led by him and it will last. There are many who will get into trouble if this happens." As such, it will not be easy for Kono to obtain the post of prime minister.

What about LDP Vice President Obuchi? It is said that "because Obuchi is tied to Noboru Takeshita, the SDPJ will not support him."

International Trade and Industry Minister Ryutaro Hashimoto, who used to be a member of the former Obuchi faction, is also a hopeful candidate. He has no ties with any particular groups. He is widely acknowledged as a policy expert and is popular among the general public. The SDPJ and Sakigake will not object to his candidacy for prime minister. Even the opposition New Frontier Party (NFP) is considering backing Hashimoto as its candidate. His popularity in the LDP, however, is not so high.

#### **A Free-For-All Fight Without An Odds-On Favorite**

Recently, asked by a reporter "whether the government is now in its closing stage," Murayama said angrily: "It is

not." Nonetheless, the government is openly called a "lame-duck," and it is rumored that "Murayama has expressed the hope of resigning." It is rare to see a government like this.

Nevertheless, it is totally unclear who will succeed Murayama. The opposition NFP is not in great form so it will not be able to field a powerful candidate. A former minister said convincingly: "It is true that the prime minister is tired. But there is no one to succeed him. I think the Murayama administration will not be able to regain its cohesive power but will last at least until the House of Councillors elections."

With the unified local elections and the upper house elections nearing and because of possible House of Representatives elections and a cabinet reshuffle, the political situation has become chaotic. The race for premiership to succeed Murayama has turned to a free-for-all fight without an odds-on favorite. But it appears that the race has made another turn and has been canceled because many now think: "It might be better for Murayama to remain as prime minister for a while."

### **North Korea**

#### **Reportage on Death of KPA Marshal O Chin-u**

SK2502045295 *Pyongyang KCNA in English* 0433  
GMT 25 Feb 95

["O Chin-u Passes Away"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 25 (KCNA)—Marshal of the Korean People's Army (KPA) O Chin-u, member of the Presidium of the Political Bureau of the Central Committee of the Workers' Party of Korea (WPK), first vice-chairman of the National Defence Commission of the DPRK, member of the Central Military Commission of the WPK and minister of the People's Armed Forces, died after a long illness from cancer at the age of 78 at 02:30 February 25, 1995 [1730 GMT 24 February].

An obituary of the Central Committee of the WPK, the Central Military Commission of the WPK and the National Defence Commission of the DPRK on his death was published today.

The obituary says "Comrade O Chin-u was a revolutionary soldier intensely loyal to the great leader Comrade Kim Il-song, a very close revolutionary comrade-in-arms and comrade of the great leader Comrade Kim Chong-il and a faithful son of our party and our people."

"A prominent activist of our party, state and Army, Comrade O Chin-u set an example of a true loyal subject of the leader during his protracted revolutionary activities under the guidance of the great leader Comrade Kim Il-song and discharged his duty as a veteran revolutionary for the inheritance and accomplishment of the revolutionary cause of *chuche*, assisting the great leader Comrade Kim Chong-il at his side," said the obituary.



For his distinguished contributions to the victory in the anti-Japanese revolutionary struggle and the fatherland liberation war and the strengthening and development of the WPK, the DPRK and the revolutionary Armed Forces of Korea, O Chin-u received "Kim Il-song Order," the supreme order of the DPRK, thrice, the title of Hero of the Republic twice, order of the National Flag First Class 18 times, Order of Freedom and Independence First Class eight times and many other orders and medals.

The Central Committee of the WPK, the Central Military Commission of the WPK and the National Defence Commission of the DPRK announced that the funeral for O Chin-u will be a state funeral, and published the list of the State Funeral Committee.

Included in the 240-member list are Comrade Kim Chong-il, the great leader of our party and our people and supreme commander of the Korean People's Army, Kang Song-san, Yi Chong-ok, Pak Song-chol, Kim Yong-chu, Kim Pyong-sik and other senior party and state officials.

The bier of O Chin-u is laid in state at the February 8 House of Culture.

The bier will be carried out at ten A.M. March 1.

#### **Kim Chong-il 24 Feb Visit Viewed**

*SK2502005795 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 24 Feb 95*

[FBIS Translated Text] The great leader [yongdoja] of our party and people Comrade Kim Chong-il called on Comrade O Chin-u to inquire about his health. On 24 February, Comrade Kim Chong-il, chairman of the DPRK National Defense Committee, supreme commander of the Korea People's Army [KPA], and the great leader [yongdoja] of our party and people, visited the hospital where KPA Marshal Comrade O Chin-u, member of the Political Bureau Presidium of the Central Committee of the Workers Party of Korea [WPK], first vice chairman of the DPRK National Defense Committee, member of the WPK Central Military Commission, and minister of the People's Armed Forces, is being hospitalized and treated for his serious illness, and inquired about his health after receiving a report on his final state from the medical team.

Comrade Choe Kwang, member of the Political Bureau of the WPK Central Committee, vice chairman of the DPRK National Defense Committee, member of the WPK Central Military Commission, and chief of KPA General Staff; Comrade Kye Ung-tae, member of the Political Bureau of the WPK Central Committee and secretary of the WPK Central Committee; Comrades Kim Ki-nam and Kim Kuk-tae, members of the WPK Central Committee and secretaries of the party Central Committee; Comrades Yi Pong-won and Kim Myong-kuk, members of the WPK Central Committee, members of the WPK Central Military Commission, and KPA

generals; Comrade Pak Chae-kyong, candidate member of the WPK Central Committee and KPA colonel general, accompanied the visit.

Beside the bed of Comrade O Chin-u, Comrade Kim Chong-il was very sad that an old revolutionary, who upheld the leadership of the great leader [suryong] Comrade Kim Il-song for a long time and made a great achievement in implementing the chuche revolutionary cause and the cause of founding the Army, was seriously ill, and gave warm words of consolation. Comrade Kim Chong-il recalled with deep emotion the path of struggle of Comrade O Chin-u, who possessed lofty faithfulness toward the leader [suryong] and also had been endlessly loyal to the leader [suryong]. Comrade O Chin-u shed warm tears at the fact that Comrade Kim Chong-il personally visited the hospital and inquired about his health.

#### **KCNA Notes Kim Chong-il's Visit**

*SK2502045095 Pyongyang KCNA in English 0426 GMT 25 Feb 95*

[FBIS Transcribed Text] Pyongyang, February 25 (KCNA)—The great leader of our party and our people Comrade Kim Chong-il, chairman of the National Defence Commission of the Democratic People's Republic of Korea and supreme commander of the Korean People's Army [KPA], on February 24 visited the hospital where KPA Marshal O Chin-u, member of the Presidium of the Political Bureau of the Central Committee of the Workers' Party of Korea [WPK], first vice-chairman of the National Defence Commission of the DPRK, member of the party Central Military Commission and minister of people's Armed Forces, was receiving medical treatment for his serious disease, heard a report about his treatment from the medical team and paid a call on him on the sick bed.

He was accompanied by Choe Kwang, member of the Political Bureau of the C.C. [Central Committee], the Workers' Party of Korea, vice-chairman of the National Defence Commission of the Democratic People's Republic of Korea, member of the party Central Military Commission and chief of the General Staff of the KPA; Kye Ung-tae, member of the Political Bureau and secretary of the C.C., the WPK; Kim Ki-nam and Kim Kuk-tae, members and secretaries of the C.C., the WPK; KPA generals Yi Pong-won and Kim Myong-kuk, members of the C.C., the WPK and members of the party Central Military Commission; and KPA Col. Gen. Pak Chae-kyong, alternate member of the C.C., the WPK.

By the bed of Comrade O Chin-u, Comrade Kim Chong-il kindly consoled him, feeling very sad that the veteran revolutionary, who had performed big feats for a long period in the accomplishment of the revolutionary cause of chuche and the cause of Army building under the guidance of the great leader Comrade Kim Il-song, was suffering from a serious disease.



He recollected with deep emotion the course of struggle covered by Comrade O Chin-u, who remained unfailingly loyal to the leader with a strong sense of obligation for him.

Comrade O Chin-u shed hot tears, deeply moved by Comrade Kim Chong-il's call on him at the hospital.

### **O Chin-u's Obituary Reported**

*SK2502013395 Pyongyang Korean Central  
Broadcasting Network in Korean 2102 GMT 24 Feb 95*

[FBIS Translated Text] This is an obituary on the death of Comrade O Chin-u.

The Central Committee of the Workers Party of Korea [WPK], the party Central Military Commission, and the DPRK Military Committee announce with great sorrow to all party members, the officers and men of the KPA, and the people that Minister of the People's Armed Forces and Marshal of the Korean People's Army [KPA] Comrade O Chin-u, member of the Political Bureau Presidium of the WPK Central Committee, first vice chairman of the DPRK Military Committee, and member of the party Central Military Commission, sadly died of a chronic cancerous disease, at the age of 78, at 0230 on 25 February [1730 GMT 24 February] 1995.

Comrade O Chin-u is [tense as heard] the most faithful revolutionary warrior of the great leader Comrade Kim Il-song; is the closest revolutionary comrade-in-arms, revolutionary comrade of the great leader [yongdoja] Comrade Kim Chong-il; and is a dutiful son of our party and people.

Comrade O Chin-u is a determined communist revolutionary fighter who had devoted all his life to the sacred revolutionary struggle for the national liberation, class liberation, and the socialist, communist cause. He is a prominent activist of our party, state, and the Armed Forces who had made immortal achievements in winning the victory of the revolutionary wars against the U.S. and Japanese imperialists and in carrying out the revolutionary cause of *chuche*.

From the time when he began his early revolutionary activities to the moment when his heart stopped beating, Comrade O Chin-u had been boundlessly faithful in single-heartedness to the party, the leader [suryong], the fatherland, and people. He had devoted everything he had to the struggle for the freedom of the fatherland, the happiness of the people, and the victory of the revolution, upholding the leadership of the great leader Comrade Kim Il-song and our party.

During the gloomiest days under the Japanese imperialists' colonial rule, Comrade O Chin-u participated in the anti-Japanese revolutionary struggle, which was organized and led by the great leader Comrade Kim Il-song, and heroically struggled against the Japanese imperialists for a protracted period, with arms in hand. With firm revolutionary will and indomitable revolutionary spirit,

he unflinchingly traversed the rigorous road of revolution, while courageously overcoming all kinds of hardships and tribulations.

In the whole process of the arduous anti-Japanese armed struggle, he resolutely defended and accomplished the *chuche*-oriented revolutionary lines and military strategic policies put forth by the great leader Comrade Kim Il-song. He was engaged in lively activities to lay the organizational and ideological basis for the founding of our party; to firmly rally the anti-Japanese revolutionary ranks around the leader [suryong] with one ideological will; and to unite the broad anti-Japanese forces.

Under the concrete guidance and parental care of the great leader Comrade Kim Il-song, he grew up as a competent military commanding officer and carried out military, political activities in a bold and skillful way, thereby dealing an annihilating blow to the enemies and making brilliant contributions to winning the victory in the anti-Japanese armed struggle.

After the liberation, Comrade O Chin-u upheld the line for the founding of the party, the country, and the Army presented by the great leader [suryong] Kim Il-song, and waged a devoted struggle to found a *chuche*-type party and strengthen and develop the party and to build a prosperous and independent country. He devoted everything to the struggle to strengthen and develop the People's Army—our party's revolutionary armed forces—into modern regular forces, and to firmly consolidate the revolutionary base in the northern half of the republic politically and militarily.

During the days of the great fatherland liberation war against the armed invasion of the U.S. imperialists, as the commander of the combined unit of the People's Army Comrade O Chin-u upheld the outstanding military ideology and *chuche*-based strategic and tactical policies of the great leader [suryong] Comrade Kim Il-song, and greatly contributed to guaranteeing the victory of war by skillfully organizing and commanding the unit to destroy the enemy. During the first attack of the fatherland liberation war, he landed at the rear of the enemy and successfully commanded the battles, attacking the enemy with guerrilla tactics. He actively contributed in liberating the broad area and people in South Korea by driving the U.S. imperialists and South Korean puppet army to the Naktong River line.

During the difficult time of the strategic retreat in the fatherland liberation war, he contributed to changing the war situation in accordance with the idea and policy of the great leader [suryong] Comrade Kim Il-song. He organized and commanded the forming of the second front at the rear of the enemy and attacked the enemy from the rear. Upholding the wise strategic and operational policy of the great leader [suryong] Comrade Kim Il-song, he contributed to achieving the final victory of the fatherland liberation war and breaking the strategic attempts of the U.S. imperialists by skillfully organizing and commanding numerous battles to halt the enemy's last-ditch offensives.



After the war, upholding the unique revolutionary line and policy of the great leader [suryong] Comrade Kim Il-song, Comrade O Chin-u successfully carried out socialist revolution and construction, established the most advanced popular mass-centered socialism on this land, thus greatly contributed to transforming our country into a strong socialist country of independence, self-reliance, and self-defense.

During the difficult post-war period when our revolution faced an arduous trial with the striving last-ditch offensives of the U.S. imperialists and South Korean puppets, and the emergence of opportunists in the international arena, Comrade O Chin-u smashed the insidious maneuvers of the enemies at home and abroad with an uncompromising and down-to-principle struggle and resolutely defended and safeguarded the party and the leader [suryong] through his important posts in the party, the country, and the Army. He greatly contributed to further solidifying the political and ideological unity and cohesion of the entire party, the entire Army, and all the people, who were firmly united around the great leader [suryong] Comrade Kim Il-song.

Working in responsible positions in the armed forces sector for many years, Comrade O Chin-u upheld the chuche-based military line of the great leader [suryong] Comrade Kim Il-song, improved the party and political work within the People's Army in conformity with the party's intention, and had our revolutionary armed forces demonstrate their political and ideological superiority. He strengthened and developed the People's Army by making the entire forces cadres and modernized them as one-a-match-for-a-hundred revolutionary armed forces. He devoted himself and exerted all his efforts to firmly consolidate an all-people defense system by arming all the people and fortifying the entire country. He thus greatly contributed to firmly safeguarding the socialist fatherland and revolutionary gains from the enemy's encroachment.

When making the entire party and society chuche-based was presented as a task, Comrade O Chin-u upheld our party's line and policy and devoted all his wisdom and energy in the struggle to brilliantly succeed and develop the chuche revolutionary cause pioneered by the great leader [suryong] Comrade Kim Il-song generation after generation.

Seizing the question of strengthening party leadership [yongdo] as the life line that determines the fate of revolution, he devoted all of his energy and efforts to thoroughly establishing our party's leadership system in the entire party, the whole Army, and the entire country, thereby making distinctive contributions to brilliantly solving the question of the succession to the leadership in carrying out our revolutionary cause.

He shiningly inherited the tradition of the single-hearted unity of our revolutionary ranks, which was provided in the pioneering era of the Korean revolution and which

was endlessly consolidated in the hardships of the rigorous revolutionary struggle, thereby having all party members and people loyally uphold our party leadership [yongdo] and enabling all officers and men of the KPA to be firmly prepared as members of the invincible, powerful armed forces and as members of the genuine Armed Forces of the party who defend with their life the respected and beloved comrade supreme commander and readily devote their youth and life to the struggle for the sake of the party's cause.

At the most bitter and difficult time when our people parted forever from the great leader Comrade Kim Il-song, whom they had ushered in and upheld for the first time in the half-century-long history, Comrade O Chin-u devoted all of his energy to organizing and mobilizing all party members and people to the struggle to accomplish the leader's last wishes, while upholding higher our party leadership [yongdo].

Upholding the independent policy for the fatherland's reunification put forth by the great leader Comrade Kim Il-song, Comrade O Chin-u struggled in a self-sacrificing way to realize the reunification of the country divided by the U.S. imperialists; and he carried out lively activities to enhance the dignity of our party and the Republic overseas and increase the international solidarity with our revolution.

During all of his life, Comrade O Chin-u was boundlessly loyal to the great leader [suryong] and the great leader [yongdoja] at any place at any time, while firmly establishing a revolutionary view of the leader [suryong]; and he devoted all he had to the prosperity and success of the fatherland, the happiness of people, and the victory of the socialist, communist cause, while upholding the party and the leader [suryong].

With a noble sense of obligation for the leader [suryong], while carrying out the revolutionary struggle for a protracted period of time under the great leader Comrade Kim Il-song's leadership, he displayed a brilliant example as a genuine loyalist to the leader [suryong]; and he fulfilled his duty and obligation as an old revolutionary for the inheritance and consummation of the revolutionary cause of chuche, while assisting [pojwahae turimyonso] the great leader [yongdoja] Comrade Kim Chong-il within the closest range [kajang kakkaieso].

Comrade O Chin-u had enjoyed respect and love from our party members, KPA officers and men, and people because of his boundless loyalty to the leader [suryong] and the leader [yongdoja], of his devotion to the fatherland and the people, of his firm revolutionary principle and noble traits.

The whole life of Comrade O Chin-u was a brilliant life of a determined, chuche-type communist revolutionary fighter who had devoted all he had to carrying out the struggle for the party and the leader [suryong], the fatherland and the people in a self-sacrificing way. His



noble revolutionary spirit and his traits as a revolutionary had been an example for our party members, KPA officers and men, and all workers.

At the moment, all people, and KPA officers and men are in great sorrow of having lost an outstanding activist of our party, state, and the Armed Forces.

The death of Comrade O Chin-u serves as an irretrievable, great political loss to our party and people, who are vigorously struggling to advance the complete victory of socialism and the fatherland's independent reunification, while upholding the great leader Comrade Kim Il-song's last wishes.

This notwithstanding, the precious achievements Comrade O Chin-u had made before our party and revolution, the fatherland and people; and his indomitable revolutionary spirit will remain forever in the hearts of our people.

[Dated] 25 February 1995

[Signed] The WPK Central Committee; the WPK Central Military Commission; and the DPRK Military Committee

#### KCNA Publishes O's Obituary

SK2502052495 *Pyongyang KCNA in English 0505 GMT 25 Feb 95*

[FBIS Transcribed Text] Pyongyang, February 25 (KCNA)—The Central Committee of the Workers' Party of Korea [WPK], the Central Military Commission of the WPK and the National Defence Commission of the Democratic People's Republic of Korea published today an obituary of Marshal of the Korean People's Army [KPA] O Chin-u, member of the Presidium of the Political Bureau of the Central Committee of the WPK, first vice-chairman of the National Defence Commission of the DPRK, member of the Central Military Commission of the WPK and minister of the People's Armed Forces.

The obituary says:

The Central Committee of the Workers' Party of Korea, the Central Military Commission of the WPK and the National Defence Commission of the DPRK inform in deep sorrow all the party members, the officers and men of the Korean People's Army and the people that Marshal of the Korean People's Army Comrade O Chin-u, member of the Presidium of the Political Bureau of the Central Committee of the WPK, first vice-chairman of the National Defence Commission of the DPRK, member of the Central Military Commission of the WPK and minister of the People's Armed Forces, passed away from a long cancerous disease at the age of 78 at 02:30 on February 25, 1995 [1730 GMT 24 February].

Comrade O Chin-u was a revolutionary soldier intensely loyal to the great leader Comrade Kim Il-song, a closest revolutionary comrade-in-arms and comrade of the great leader Comrade Kim Chong-il and a faithful son of our party and our people.

He was a staunch communist revolutionary fighter who devoted his whole life to the noble revolutionary struggle for national liberation, class liberation and the cause of socialism and communism, and a prominent activist of our party, state and Army who performed imperishable exploits for victory in the revolutionary wars against U.S. and Japanese imperialisms and for the revolutionary cause of *chuche*.

From the time when he began revolutionary activities in his early years, he remained invariably and unfailingly loyal to the party and the leader, the country and the people and devotedly worked for the freedom of the country, the happiness of the people and the victory of the revolution under the leadership of Comrade Kim Il-song and our party, till the moment when his heart stopped beating.

He joined in the anti-Japanese revolutionary struggle led by Comrade Kim Il-song in the darkest period of the Japanese imperialist colonial rule, fought a heroic fight against Japanese imperialism for a long time with arms in hand and steadily followed the grim path of the revolution, braving all difficulties with his staunch revolutionary will and indomitable revolutionary spirit.

In the whole period of the arduous anti-Japanese armed struggle, he resolutely defended and implemented the *chuche*-oriented revolutionary line and military strategic policy of Comrade Kim Il-song and actively worked to lay the organisational and ideological foundations for the building of our party, closely unite the anti-Japanese revolutionary ranks around the leader in one ideology and purpose and rally the broad anti-Japanese forces.

He grew to be an able military commander under the meticulous guidance and parental care of Comrade Kim Il-song and conducted bold and skilful military and political activities, thus dealing annihilating blows at the enemy and making a shining contribution to victory in the anti-Japanese armed struggle.

After the liberation of the country comrade O Chin-u, true to the line of the building of the party, the country and the Army advanced by the great leader Comrade Kim Il-song, devotedly worked for the founding of a *chuche*-type party and its strengthening and development and for the building of a prosperous independent and sovereign state. He also devoted himself to strengthening and developing the People's Army, our party's revolutionary armed forces, to be modern regular ones and consolidating the revolutionary base of the northern half of the country politically and militarily.

Active as the commander of a combined unit of the People's Army in the period of the great fatherland liberation war against the U.S. imperialists' armed invasion, he skilfully guided the unit to wipe out the enemy according to Comrade Kim Il-song's outstanding military idea and *chuche*-based strategic and tactical policies, thus greatly contributing to the victory in the war.



In the period of the first advancing operation of the war, he successfully commanded combats to strike the enemy by guerrilla tactics after landing in the rear of the enemy, thus making a great contribution to driving the U.S. imperialist aggressors and the South Korean puppet army to the line of the River Naktong and liberating vast areas and people of South Korea.

In the hard time of the strategic retreat in the war, he organized and commanded battles on the second front in accordance with Comrade Kim Il-song's plan and policy, contributing to striking the enemy from the rear and effecting a favorable turn in the situation of the war.

Later, he skillfully organized and guided many battles for thwarting the desperate offensive of the enemy in accordance with the superb strategic and operational policies of Comrade Kim Il-song to contribute to foiling the U.S. imperialists' strategic scheme and winning the final victory in the fatherland liberation war.

In the postwar period, Comrade O Chin-u, true to the original revolutionary line and policies put forward by Comrade Kim Il-song, made a great contribution to establishing the most advanced socialist system centred on the popular masses in this land and turning our country into a powerful socialist country independent, self-sufficient and self-reliant in national defence by successfully carrying on the socialist revolution and construction.

In the difficult postwar period when the desperate moves of the U.S. imperialists and the South Korean puppets were intensified and opportunism was raising its head in the international arena to confront our revolution with a grim test, he was active at important posts of the party, the state and the Army, smashing the moves of the enemy within and without through an uncompromising and principled struggle and steadfastly defending the party and the leader. And he greatly contributed to cementing the political and ideological unity and cohesion of the whole party, the entire Army and all people around Comrade Kim Il-song.

While active at a responsible post of the Armed Forces for years, Comrade O Chin-u, upholding the chuche-oriented military line of the great leader Comrade Kim Il-song, made our revolutionary armed forces fully display their political and ideological superiority by improving the party's political work in the People's Army in accordance with the intention of the party, and devotedly worked to strengthen and develop the People's Army into a match-for-a hundred revolutionary armed forces, a modernised and cadre army and establish a solid all-people defence system by arming all people and turning the whole country into a fortress, thus making an active contribution to firmly defending the socialist homeland and the revolutionary gains from the enemy's encroachment.

When the modelling of the whole party and society on the chuche idea came to the fore, Comrade O Chin-u, true to

the line and policies of our party, put all his wisdom and energy into the work of creditably carrying forward and developing the revolutionary cause of chuche started by Comrade Kim Il-song through generations.

He made a distinguished contribution to a brilliant solution of the question of succession to the leadership in accomplishing our revolutionary cause by putting his heart and soul into the work of firmly establishing the leadership system of our party in the whole party, the whole Army and the whole country, considering it vital to the destiny of the revolution to strengthen the party's leadership.

He made the entire party members and people to uphold the leadership of our party with loyalty by successfully carrying forward the traditions of singlehearted unity of our revolutionary ranks which had been established at the dawn of the Korean revolution and steadily strengthened in the grim trials of the revolutionary struggle, and firmly prepared the People's Army to be a matchless strong army and the true army of the party, so that its entire officers and men may defend the respected supreme commander with their lives and readily lay down their youth and lives for the cause of the party.

At the most painful and difficult moment when our people paid last respects to the great leader Comrade Kim Il-song peerless in our people's history of 5,000 years, Comrade O Chin-u devoted all his energy to organising and mobilising all the party members and people to the fulfilment of the behests of the great leader under the guidance of our party.

He devotedly struggled to achieve the reunification of the country divided by the U.S. imperialists, faithful to the policy of the independent reunification of the country which was put forward by Comrade Kim Il-song. And he conducted energetic activities to enhance the external prestige of our party and Republic and strengthen international solidarity for our revolution.

Throughout his life, Comrade O Chin-u firmly established the revolutionary outlook on the leader, remained unfailingly loyal to the great leader Comrade Kim Il-song and the great leader Comrade Kim Chong-il any time and anywhere and devoted his all to the prosperity of the country, the happiness of the people and the victory of the cause of socialism and communism under the guidance of the party and the leader.

He set a shining example of a true loyal subject of the leader while waging the revolutionary struggle under the guidance of Comrade Kim Il-song for a long period with a noble sense of obligation for the leader. And he performed his obligation and duty as a veteran revolutionary to carry forward to accomplishment the revolutionary cause of chuche, assisting Comrade Kim Chong-il by his side.

He was respected and loved by our party members, officers and men of the People's Army and the people for



his intense loyalty to Comrade Kim Il-song and Comrade Kim Chong-il, devoted service to the country and the people and for his unshakable revolutionary principle and noble personality.

The whole life of Comrade O Chin-u was a brilliant life of a staunch communist revolutionary fighter of *chuche* type who fought devotedly for the party and the leader, the motherland and the people and his noble revolutionary spirit and revolutionary personality have become a model for our party members and officers and men of the People's Army and all the working people.

Now the entire people and officers and men of the People's Army are overcome with deep sorrow at the loss of an outstanding activist of our party, state and army.

His death is a irretrievable big political loss to our party and people who are working vigorously to accelerate the complete victory of socialism and the independent reunification of the country, true to the behests of the great leader Comrade Kim Il-song. But his noble feats for our party and revolution, our motherland and people and his indomitable revolutionary spirit will be always alive in the hearts of our people.

#### **Biography of O Chin-u Issued**

*SK2502054595 Pyongyang KCNA in English 0516 GMT 25 Feb 95*

[FBIS Transcribed Text] Pyongyang, February 25 (KCNA)—Marshal of the Korean People's Army [KPA] O Chin-u, member of the presidium of the Political Bureau of the Central Committee [C.C.] of the Workers' Party of Korea, first vice-chairman of the National Defence Commission of the Democratic People's Republic of Korea, member of the Party Central Military Commission and minister of the People's Armed Forces, was born into a poor peasant's family on March 8, 1917.

He participated in the glorious anti-Japanese revolutionary struggle organized and led by the great leader President Kim Il-song in the darkest period of the Japanese imperialist colonial rule and made a great contribution to the accomplishment of the cause of national liberation.

After the liberation of the country, he took an active part in the struggle to implement the line of building the party, the state and the Army put forward by President Kim Il-song.

He worked energetically for the strengthening and development of the People's Army from September 1946 as military vice-director of the Central Security Officers School, chief of staff and commander of the third brigade, commander of the fourth brigade and director of the Third Military Academy.

In the period of the fatherland liberation war against the U.S. imperialist aggressors, he made an active contribution to driving back the armed invasion of the enemy and ensuring victory in the war as commander of the

43rd division of the Korean People's Army, deputy chief of staff of the supreme command, chief of staff of the 6th Army corps and commander of the Third Seoul Guard Division.

In the post-war period, he devoted his all to the work for strengthening the People's Army and defending the party and the revolution as chief of staff of the Air Force command, deputy chief of the general staff and commander of the first combined Army of the Korean People's Army, vice-minister of National Defence and president of Kim Il-song Military University.

He worked devotedly to implement the *chuche*-oriented military line of the Workers' Party of Korea and firmly guarantee the victory of the revolutionary cause of *chuche* with arms at the important posts of director of the General Political Department of the Korean People's Army, chief of the general staff of the KPA, minister of the People's Armed forces, member of the party Central Military Commission, and first vice-chairman of the National Defence Commission of the Democratic People's Republic of Korea from 1967.

O Chin-u was elected alternate member of the Central Committee of the WPK at its Third Congress in April 1956, member of the party Central Committee from June 1959, alternate member of the Political Bureau of the party Central Committee at the conference of the WPK in October 1966 and member of the Political Bureau of the C.C., WPK from December 1969.

He was elected secretary of the Central Committee of the party in April 1968, in November 1970, and in September 1973.

He was elected member of the presidium of the Political Bureau of the Central Committee of the party at the Sixth Congress of the WPK in October 1980.

He was deputy to the Supreme People's Assembly from the second Supreme People's Assembly of the DPRK in July 1959 till today.

For his distinguished services for the victory of the anti-Japanese revolutionary struggle and the fatherland liberation war and for the strengthening and development of our party and Republic and the revolutionary Armed Forces, O Chin-u was awarded "Order of Kim Il-song", the highest order of the DPRK, three times, the title of Hero of the Republic twice, Order of the National Flag First Class 18 times, Freedom and Independence Order First Class 8 times and many other orders and medals.

He was awarded the title of the vice marshal of the Korean People's Army on April 11 1985 and the title of the marshal of the KPA on April 20, 1992.

O Chin-u passed away on February 25, 1995, from a long illness.

#### **Sate Funeral Committee Designated**

*SK2502055195 Pyongyang KCNA in English 0520 GMT 25 Feb 95*

[FBIS Transcribed Text] Pyongyang, February 25 (KCNA)—The Central Committee of the Workers' Party



of Korea, the Central Military Commission of the Workers' Party of Korea and the National Defence Commission of the Democratic People's Republic of Korea decided to hold a state funeral for the late Marshal of the Korean People's Army Comrade O Chin-u, member of the Presidium of the Political Bureau of the Central Committee of the Workers' Party of Korea, first vice-chairman of the National Defence Commission of the Democratic People's Republic of Korea, member of the party Central Military Commission and minister of the People's Armed Forces, and formed a State Funeral Committee.

The State Funeral Committee consists of the great leader of our party and our people Comrade Kim Chong-il, chairman of the National Defence Commission of the Democratic People's Republic of Korea and supreme commander of the Korean People's Army, Kang Song-san, Yi Chong-ok, Pak Song-chol, Kim Yong-chu, Kim Pyong-sik and other senior party and state officials, 240 all told.

The coffin of comrade O Chin-u is lying in state at the February 8 House of Culture.

The mourners coming to pay the last respects to the deceased will be received from 16:00 [0700 GMT] on February 25 to 18:00 on February 28.

The coffin will be borne to the hearse at 10:00 [0100 GMT] on March 1.

#### Members of Committee Listed

SK2402234095 Pyongyang Korean Central  
Broadcasting Network in Korean 2117 GMT 24 Feb 95

[FBIS Translated Text] The Central Committee of the Workers Party of Korea [WPK], the WPK Central Military Commission, and the DPRK Military Committee will hold a state funeral for the late Comrade O Chin-u, and will organize the State Funeral Committee for the late Comrade O Chin-u as follows:

Kim Chong-il; Kang Song-san; Yi Chong-ok; Pak Song-chol; Kim Yong-chu; Kim Yong-nam; Choe Kwang; Kye Ung-tae; Chon Pyong-ho; Han Song-yong; So Yun-sok; Kim Chol-man; Choe Tae-pok; Choe Yong-nim; Hong Song-nam; Yang Hyong-sop; Hong Sok-hyong; Yon Hyong-muk; Yi Son-sil; (Kim Chol-su); Kim Pyong-sik; Yu Mi-yong; Kim Ki-nam; Kim Kuk-tae; Hwang Chang-yop; Kim Chung-nin; So Kwan-hui; Kim Yong-sun; Kim Hwan; Kim Pok-sin; Kim Chang-chu; Kim Yun-hyok; Chang Chol; Kong Chin-tae; Yun Ki-pok; Pak Nam-ki; Chon Mun-sop; Hyon Chun-kuk; (Won Tong-ku); (Yi Ha-il); Kim Ik-hyon; (Yi Chang-son); O Kuk-yol; (Kwon Hui-kyong); Kim Kyong-hui; Chae Hui-chong; (No Myong-kun); (Chon Ha-chol); (Kim Tu-nam); Paek Hak-nim; Chi Chang-ik; Yi Yong-mu; (Yi Chi-chan); (Kim Chang-ho); (Yi Sok); (Pak Yong-sok); (Yi Chol-pong); Chong Chun-ki; (Hwang Sun-hui); (Sin Sang-kyun); (Chong Ha-chol); (Kim Kil-yong); Kang Hyon-su; (Pak Sung-il); (Kim Hak-pong); (Paek Pom-su); (Choe

Mun-son); (Yim Hyong-ku); Yi Kun-mo; (Hyon Chol-kyu); (Yi Kil-song); (Yim Su-man); Yi Ul-sol; Kim Pong-yul; Kim Kwang-chin; Yi Tu-ik; (Kim Chong-kak); O Yong-pang; (Kim Myong-kuk); (Won Ung-hui); (Kim Kyok-sik); (Chang Song-u); (Chon Chin-su); (Chu Sang-song); (Kim Yong-chun); Cho Myong-nok; Kim Il-chol; (Kang Tong-yun); (Pak Ki-so); (Han In-sul); (Kim Ha-kyu); (Nam Sang-nak); (Kang Yong-ho); (Kim Hyong-yong); (Hyon Chol-hae); (Yi Pong-won); (Kim Pyong-yul); (Chu Song-il); Choe Yong-hae; (Choe Song-suk); Kim Song-ae; Paek In-chun; Yi Mong-ho; (Mun Song-sul); (Yom Ki-sun); (Yi Yong-chol); Chang Song-taek; Kim Si-hak; Kim Chung-il; (Pak Song-pong); (Kang Kwang-chu); (Kim Yong-chae); (Hong Sung-yong); (Yu Chong-suk); (Chon Hui-chong); (Kim Yong-yong); Kang Sok-chu; Son Song-pil; Chu Chang-chun; (Kim Kuk-hun); (Kang Sok-sung); (Cho Se-ung); (Cha Yong-chin); (Chu Kyo-chang); (Kim Yun-sang); (Kim Hui-il); (Choe Man-hyon); Yom Tae-chun; (Yom Chae-man); (Pyon Chang-pok); (Choe In-tok); (Pae Pyong-yol); (Chu Kil-pon); (Yun Ho-sok); Hong Si-hak; (Choe Chin-song); Kim Tal-hyon; (Chong Chol); (Ho Kuk-song); Yi Song-tae; (Kim Ung-sang); (Kim Won-chin); (Kim Yi-yong); (Pak Pom-ki); (Kim Se-yong); (Pak Won-hyon); (Kim Hak-sop); (Kim Song-ku); (O Song-yol); (Choe Ki-yong); (Yi Chae-yun); Yun Ki-chong; (Kim Su-hak); (Yi Yong-sop); (Pang Myong-chol); (Choe Kyu-pin); (Chong Song-taek); (Kim Chong-suk); (Yi Pyong-uk); (Chong Chang-yol); (Kim Tae-sik); (Chon Chae-son); (Yo Chun-sok); (Kim Song-kyu); (Chong Ho-kyun); (Yo Pyong-nam); (Yi Won-chae); (Chu Sung-nam); (Won Myong-kyun); (Paek Sang-ho); (Kim Pong-mun); (Yi Tae-chol); (Pak Chae-kyong); (Yim Tong-ok); (Yi Pong-ik); (Kim Chung-hyok); (Choe Hyong-sik); (Yim Sang-chong); (Yi Song-pok); (Yi Hwa-son); (Hong In-pom); (Kim Chol-myong); (Kil Chae-kyong); (Pak Pong-chu); Kim Yu-sun; Pak Chung-kuk; (Kang Sun-hui); (Chang Kuk-chan); (Paek Se-yun); (Ok Pong-nin); (Kim Myong-yun); Chong Song-nam; (Yi Yong-kyun); (Yim Nok-chae); Yo Yon-ku; (Sin Chin-sun); (Pyon Yong-nip); (Kim Nak-hui); (Cho Chang-tok); (Ho Sun); (Hwang Sok-kyu); (Pak Su-pom); (Kim Sang-ho); (Sin Tae-nok); (Kim Hyong-muk); (Yi Won-kwan); (Pak Yong-chan); (Choe Myong-chol); (Yi Yun-hup); (Yim Pong-yong); (Kim Yun-u); (Kim Pyong-pal); (Pak Yong-hui); (Ho Min-son); (Choe Pyong-ho); (Han Kyu-pal); (Choe Hyon-ki); (Yi Hyon-ho); (Pae Kum-sun); (Chon Yong-hun); (Pak Si-hyong); (Yi Hak-sop); (Kim Kwang-su); (Yi Tae-se); (Yi Tong-song); (Kim Ung-sam); (Paek Sol-hui); (Kwak Yong-ho); (Yi Nak-pin); (Kim Ung-chol); (Yun So); (Kim Se-yun); (Sin Kyong-sik); Chong Tu-hwan; (Han Yong-ho); (Han Yun-chang); (Han Tae-yong); (Maeng Tae-ho); (Song Kum-sun); (Kim Chon-pil); and (Choe Chi-son).

#### State Funeral Schedule Announced

SK2402233695 Pyongyang Korean Central  
Broadcasting Network in Korean 2126 GMT 24 Feb 95

[FBIS Translated Text] A message from the State Funeral Committee for the late Comrade O Chin-u:



The bier of the late Comrade O Chin-u is laid at 8 February House of Culture. Mourners who want pay the last farewell to the deceased will be received from 1600 [0700 GMT] on 25 February to 1800 on 28 February. The coffin of the deceased will depart for a funeral procession at 1000 [0100 GMT] on 1 March.

### **Jiang Zemin Sends Condolences**

*SK2502235095 Pyongyang Korean Central  
Broadcasting Network in Korean 2100 GMT 25 Feb 95*

[FBIS Translated Text] The great leader [yongdoja] of our party and people Comrade Kim Chong-il received a condolence message from Jiang Zemin, general secretary of the CPC Central Committee, president of the PRC, and chairman of the PRC Central Military Commission, on the passing away of Comrade O Chin-u, member of the Political Bureau Presidium of the Central Committee of the Workers Party of Korea [WPK], first vice chairman of the DPRK National Defense Committee, member of the WPK Central Military Commission, minister of People's Armed Forces, and marshal of the Korea People's Army [KPA].

The condolence message read:

Pyongyang:

Chairman of the DPRK National Defense Committee and KPA Supreme Commander Comrade Kim Chong-il:

On the sad passing away from illness of Comrade O Chin-u, member of the Political Bureau Presidium of the WPK Central Committee, first vice chairman of the DPRK National Defense Committee, and minister of People's Armed Forces, I express deep condolences on behalf of the CPC, the PRC people, and the PRC People's Liberation Army, to you, and through you, to the WPK, the DPRK people, the KPA, and the bereaved family of Comrade O Chin-u.

Under the leadership of the great leader [suryong] of the DPRK people Comrade Kim Il-song, Comrade O Chin-u achieved an immortal contribution to the cause of national independence and liberation of the DPRK. He devoted his entire life to the DPRK's socialist revolution, construction, and arms build-up. Comrade O Chin-u visited the PRC on various occasions during his lifetime as a respected friend of the PRC people. He formed deep friendships with PRC leaders, particularly the old-generation revolutionists. He made valuable contributions to strengthening and developing the friendship between the two parties, two armies, and two peoples of the PRC and the DPRK. Comrade O Chin-u's achievement for the DPRK party and Army, and his contribution to PRC-ROK friendship will be immortal.

[Signed] Jiang Zemin, general secretary of the CPC Central Committee, president of the PRC, and chairman of the PRC Military Commission

[Dated] 25 February 1995, Beijing

### **Kim Chong-il Visits Bier 25 Feb**

*SK2502230795 Pyongyang Korean Central  
Broadcasting Network in Korean 2100 GMT 25 Feb 95*

[FBIS Translated Text] The great leader [yongdoja] of our party and people Comrade Kim Chong-il visited the bier of the late Comrade O Chin-u and expressed deep condolences. On 25 February, Comrade Kim Chong-il, chairman of the DPRK National Defense Committee, supreme commander of the Korea People's Army [KPA], and the great leader [yongdoja] of our party and people, visited the bier of Comrade O Chin-u, member of the Political Bureau Presidium of the Central Committee of the Workers Party of Korea [WPK], first vice chairman of the DPRK National Defense Committee, member of the WPK Central Military Commission, minister of People's Armed Forces, and KPA marshal, and expressed deep condolences.

He was accompanied on the condolence visit by KPA Vice Marshals Choe Kwang, Yi Ul-sol, Paek Hak-nim, Kim Kwang-chin, and Kim Pong-yol; and KPA Generals Yi Ha-il, Cho Myong-nok, Kim Il-chol, Pak Ki-so, Yi Pong-won, and Kim Myong-ku.

The wreath from the great leader [yongdoja] of our party and people Comrade Kim Chong-il was beside the bier. Wreaths from the WPK Central Committee, the WPK Central Military Commission, the DPRK National Defense Committee, the Ministry of People's Armed Force, the KPA General Staff, the KPA General Political Bureau, and KPA units were also laid. The bereaved family of the departed and members of the funeral committee stood next to the bier. Honor guards of the KPA Army, Navy, and Air Force stood next to the bier of the departed. Dirges were played solemnly in the funeral hall, which was filled with the great sorrow of losing Comrade O Chin-u, who was faithfully and endlessly dedicated to the party, the leader [suryong], the fatherland, and the people since his early days of revolution till the last moment his heart stopped beating, who devoted his everything for our people's freedom and happiness and for the consummation of the chuche revolutionary cause, and who was the loyal son of our party and people and a renowned activist of the party, the country, and the Army.

Comrade Kim Chong-il paid silent tribute in memory of the departed, and looked around the bier in grief of losing the closest revolutionary colleague-in-arms and revolutionary comrade. Comrade Kim Chong-il expressed deep condolences and gave warm words of consolation to the bereaved family of the departed.

### **Yi Chong-ok, Others Visit Bier**

*SK2602141195 Pyongyang Korean Central  
Broadcasting Network in Korean 1200 GMT 26 Feb 95*

[FBIS Translated Text] On the death of Comrade O Chin-u—member of the Presidium of the Political Bureau of the Workers' Party of Korea [WPK] Central Committee, first vice chairman of the DPRK National



Defense Commission, member of the party's Central Military Commission, minister of the People's Armed Forces, and marshal of the Korean People's Army [KPA]—party and government cadres visited the bier of the deceased on 25 and 26 February to express their deep condolences.

The 8 February House of Culture, the site of the mourning ceremony, was overwhelmed with the great sorrow of losing Comrade O Chin-u, the most loyal revolutionary fighter of the great leader Comrade Kim Il-song, the closest war-time comrade and revolutionary comrade-in-arms of the great leader [yongdoja] Comrade Kim Chong-il, and a faithful son of our party and people.

A wreath sent by the great leader of our party and people Comrade Kim Chong-il, chairman of the DPRK National Defense Commission and supreme commander of the KPA, lay beside the bier. Wreaths from the WPK Central Committee, the WPK Central Military Commission, the DPRK National Defense Commission, the Ministry of the People's Armed Forces, the KPA General Staff, the KPA General Political Bureau, and KPA units also lay there.

The bereaved family of the deceased and members of the Funeral Committee took charge of the funeral from beside the bier. An honor guard from the Army, Navy, and Air Force of the KPA stood by the bier of the deceased.

Comrades Yi Chong-ok, Pak Song-chol, and Kim Yong-chu, members of the Political Bureau of the WPK Central Committee and vice presidents; Vice President Kim Pyong-sik, chairman of the Korean Social Democratic Party Central Committee; Comrade Kim Yong-nam, member of the Political Bureau of the WPK Central Committee and vice premier of the State Administration Council [SAC]; Comrades Kye Ung-tae and Chon Pyong-ho, members of the Political Bureau of the WPK Central Committee and secretaries of the party Central Committee; Comrade Choe Tae-pok, candidate member of the Political Bureau of the WPK Central Committee and secretary of the party Central Committee; Comrades Choe Yong-nim and Hong Song-nam, candidate members of the Political Bureau of the WPK Central Committee and vice premiers of the SAC; Comrade Yang Hyong-sop, candidate member of the Political Bureau of the WPK Central Committee and chairman of the Supreme People's Assembly; Comrades Kim Kinam, Kim Kuk-tae, Kim Chung-nin, So Kwan-hui, and Kim Yong-sun, secretaries of the WPK Central Committee; Comrade Chang Chol, vice premier of the SAC; Comrade Yun Ki-pok, chairman of the Central People's Committee [CPC] Economic Policy Commission; Comrade Pak Nam-ki, chairman of the Pyongyang Municipal Administrative and Economic Committee; Comrade Chon Mun-sop, chairman of the CPC State Inspection Commission; and Mrs. [sonsaeng] Yu Mi-yong, chairman of the Chondoist Chongu Party Central Committee, paid condolence calls.

While a dirge was played, party and government cadres paid silent tribute to the memory of the late Comrade O Chin-u who dedicated his entire life to the sublime cause of the fatherland's liberation, the people's happiness, and the revolutionary victory while upholding the party and the leader; who made outstanding contributions to brilliantly solving problems regarding the succession of the leadership in implementing the chuche revolutionary cause; and who fulfilled his duties and obligations as an old revolutionary.

Party and government cadres then expressed their deep condolences and sympathy to the bereaved family of the deceased.

#### KCNA Lists Mourners at Bier

SK2702051095 *Pyongyang KCNA in English 0456*  
GMT 27 Feb 95

[FBIS Transcribed Text] Pyongyang, February 27 (KCNA)—Senior party and government officials, on Feb. 25 and 26, visited the bier of marshal of the Korean People's Army O Chin u, member of the Presidium of the Political Bureau of the C.C. [Central Committee], the Workers' Party of Korea [WPK], first vice-chairman of the National Defence Commission of the Democratic People's Republic of Korea, member of the party Central Military Commission and minister of the People's Armed Forces, and deeply mourned his death.

The February 8 House of Culture, the mourning place, was overwhelmed with a deep sorrow at the loss of the most faithful revolutionary soldier of the great leader President Kim Il-song and the closest revolutionary comrade-in-arms and revolutionary comrade of the great leader Comrade Kim Chong-il and a veteran revolutionary who made a distinguished contribution to successfully solving the question of succession to the leadership in the accomplishment of the revolutionary cause of chuche.

Lying by the bier was a wreath sent by the great leader Comrade Kim Chong-il, chairman of the National Defence Commission of the Democratic People's Republic of Korea and supreme commander of the Korean People's Army.

The mourners were Vice-presidents Yi Chong-ok, Pak Song-chol and Kim Yong-chu who are members of the Political Bureau of the C.C., the WPK, Vice-president Kim Pyong-sik who is chairman of the C.C., the Korean Social Democratic Party, and other senior WPK and government officials.

They paid a moment's silent tribute to the memory of the deceased and expressed deep condolences to his family.

#### Servicemen Mourn O Chin-u Death

SK2702115295 *Pyongyang KCNA in English 1035*  
GMT 27 Feb 95

[FBIS Transcribed Text] Pyongyang, February 27 (KCNA)—Generals and soldiers of the Ministry of the



People's Armed Forces and units of the Korean People's Army (KPA) visited the February 8 House of Culture where the bier of Marshal of the Korean People's Army [KPA] O Chin-u, member of the Presidium of the Political Bureau of the C.C. [Central Committee], the WPK [Workers Party of Korea], first vice-chairman of the DPRK National Defence Commission, member of the Central Military Commission of the WPK and minister of the People's Armed Forces, is lying in state and deeply mourned his death.

The mourners observed a moment's silence in memory of the late O Chin-u, a faithful son of the Workers' Party of Korea and the Korean people and a prominent activist of the party, the state and the Army who fought heroically in the anti-Japanese revolutionary struggle and devotedly struggled for the strengthening and development of the KPA and for the successful succession to and accomplishment of the revolutionary cause of *chuche* through generations.

#### **'White Paper' Alleges 'Falsity' of ROK Reactor**

SK2702053795 *Pyongyang KCNA in English 0521 GMT 27 Feb 95*

["White Paper on 'South Korean-Model LWR'"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 27 (KCNA)—The Central Committee of the South Korean National Democratic Front (Hanminjon) published a White Paper on February 21 exposing to the home and foreign public the falsity of the "South Korean-model light water reactor [LWR]" and the sinister political purpose the Kim Yong-sam group is seeking in this, blaring that unless the "South Korean-model light water reactor" is accepted, the "North Korea-U.S. agreed framework will be scrapped," according to Seoul-based Radio Voice of National Salvation.

The White Paper consists of three parts—"Bogus 'South Korean-Model LWR'", "Sinister Political Ambition" and "'South Korean Model' Must Be Withdrawn."

The White Paper says:

The "South Korean model" is not still known to the world. It is no more than a political terminology "Chong-wadae" [presidential offices] promptly attached to the Ulchin LWRs Nos. 3 and 4 now under construction, as the problem of offering LWRs to North Korea was raised between North Korea and the United States.

Now the South Korean authorities advertise that the "South Korean-model" LWR was modelled after the Yonggwang LWRs Nos. 3 and 4 with the U.S. Palo Verde reactor as a "reference plant". But it is nothing but a hybrid assembly of parts of the outdated LWRs which were imported from abroad and are now under operation or trial operation in South Korea.

Furthermore, the construction of Ulchin LWRs Nos. 3 and 4 is at the stage of 60 percent as yet. They are foreseen to undergo trial operation in the late 1990s, and it is planned to finish the designing of conception on the basis of the trial operation.

The South Korean magazine MAL in October 1994 noted the South Korean authorities said the "South Korean-model" reactors originated from an American nuclear power plant, but the model designing of Yonggwang LWRs Nos. 3 and 4, the model of Ulchin LWRs Nos. 3 and 4 called the father of "South Korean model LWR", had not gone through an examination of the U.S. nuclear restriction committee when they were introduced into South Korea and the Yonggwang LWR No. 3 built on the defective design has not yet undergone complete test operation, to say nothing of a commercial operation, and No. 4 is due to be completed in 1996.

As for the U.S. LWR SYS-80 on which the Yonggwang LWRs Nos. 3 and 4 were designed with no safety, the South Korean daily CHOSON ILBO on September 11, 1994, wrote, "Even the U.S. Combustion Engineering Corp., has not made commercial operation of the reactor SYS-80 for uncertainty of its safety, and the South Korean magazine WOLGAN CHOSON No. 8 in 1994 reveals SYS-80 was so outmoded that the United States gave up the design after using it for the construction of the Palo Verde atomic power plant.

This fact proves that the Yonggwang LWRs Nos. 3 and 4 the South Korean authorities advertise as the "South Korean model" were built on the outdated defective design of 20 to 30 years ago and South Korea has not its own design technique of atomic reactors as yet.

Practically, a standard design of the South Korean LWR is due to be completed when the Ulchin LWRs Nos. 3 and 4 are operated respectively in 1998 and 1999 and its efficiency is to be testified in the next century, according to a White Paper on atomic energy published in 1992 by the South Korean Ministry of Energy and Resources and the Korea Electric Power Corp."

In addition to the misdesign, the key parts of the South Korean LWRs are all foreign-made ones.

The South Korean authorities advertize extensively that home production of the LWRs will mount up to over 90 percent in 1995. But it is no more than a false propaganda.

Former Minister of Science and Technology Pak Kum-sik said officially that the domestic production rate of the South Korean LWRs was "30 percent or less", and construction chief of the Korea Electric Power Corp. Choe Yang-u confessed that "the figures were all concocted".

Practically, South Korea depends on foreign technique for nearly all the kernel parts of the LWRs in their designing and manufacture.



In detail, it depends on foreign designing technique of the safety-grade facilities in the section of general designing; the designing technique of computing the in-pile pressure and the leak-proof technique of the air locks in the section of the iron-loaded concrete structures; the technique of designing every facility and technical estimation in the section of the atomic reactor system; the technique of the control pad drivers, in-pile facilities of the reactors, coolant pumps, other pumps and valves, measuring and controlling tools in the section of manufacturing the nuclear reactor facilities, and the technique of rotor buckets of the low-pressure turbines, the iron-bar-welding materials, high intensity and tensile reinforcing iron, and other important factors in the turbine-and generator-manufacture section.

The South Korean companies in charge of the manufacture of atomic reactors sublet foreign companies for key facilities.

For that reason, the radio of the U.S. Eighth Army in South Korea said, the 'South Korean-model' LWRs are said to be jointly developed by the U.S. Combustion Engineering Corp. and the South Korean Atomic Energy Research Institute, but the leadership is in the hands of the United States of America." Members of a South Korean organisation for environmental protection and even atomic energy experts said the "South Korean-model" reactors were offered by outsiders and the home production is utterly nominal and the dependence on foreign technique for atomic energy still remains unchanged."

The afore-said facts tell that South Korea has no capacity of manufacturing the atomic reactors and, accordingly, the so-called "South Korean model" is no better than a stuffless specimen.

The Yonggwang LWRs Nos. 3 and 4 advertised as the "South Korean model" are now condemned for their careless and random construction and are called disastrous "timebomb" and atomic power plants most backward in economic efficiency.

Practically, the Yonggwang LWR No. 3 has been found to have not come up to the design in 3,600 points.

Soon after the Yonggwang LWR No. 3 started a test operation, an accident of radioactive leakage occurred, contaminating the sea off Kochang County.

The Kim Yong-sam group's political purpose in persistently offering the "South Korean-model" LWRs cannot be construed otherwise than an attempt to "avoid international isolation" and "take the initiative of the changing situation at home and abroad" by abusing this issue for aggravating North Korea-U.S. relations and inter-Korean relations.

By persistently holding that the "South Korean models" should be adopted, the Kim Yong-sam group pursues another sinister purpose of abusing the provision of the

"South Korean-model" LWRs for laying a new foundation of inter-Korean confrontation.

Lurking behind its desperate efforts to supply the "South Korean models" to North Korea is the sinister intention to use it as a "channel of exchange" for forcing its way into North Korea. The South Korean authorities themselves admitted that "supply" of light water reactors to North Korea is motivated by a strategy to "disturb public sentiments in North Korea and lead it to opening."

The White Paper continues:

The buyer has the right of choice.

It is a senseless act contrary to elementary common knowledge and international usage that the Kim Yong-sam group tries to impose its antique upon North Korea, despite Pyongyang's strong opposition. It is really a laughing-stock that the Kim Yong-sam group intends to supply the non-existent "South Korean-model" LWR to North Korea.

Ma Kyong-sok, honorary chairman of the Korean Engineering Association, and other South Korean atomic experts say that "the more the government persists in the 'South Korean model', the more sharply it will be criticized for attempting to create obstacles to the settlement of the nuclear issue and improvement of the North Korea-U.S. relations."

Moreover, the overseas Koreans condemn the Kim Yong-sam group's attempt to impose the antique-like model now in the stage of pilot construction upon North Korea. They brand it as a "rash act to make not only the southern part but also the northern part of the motherland radioactive- contaminated area".

The United States, Japan and other Western countries lament that the Kim Yong-sam regime's persistent demand for the adoption of the "South Korean model" was motivated by a "wild ambition to get profits out of other's technology."

The so-called "South Korean model" strongly rejected at home and abroad should be unconditionally and immediately withdrawn.

If the Kim Yong-sam group continuously pursues a sinister political purpose with the bogus antique-like atomic reactor against the trend of the times, it will face a stern judgement by history and the nation.

#### **Atomic Energy Department on ROK Reactor Safety**

*SK2502102395 Pyongyang KCNA in English 1017 GMT 25 Feb 95*

[*"Spokesman of General Department of Atomic Energy on South Korean-Type LWR"—KCNA headline*]

[*FBIS Transcribed Text*] Pyongyang, February 25 (KCNA)—The spokesman of the General Department of Atomic Energy of the Democratic People's Republic of



Korea today answered a question of KCNA concerning the remarks of the spokesman of the Foreign Ministry some time ago that one of the main reasons for the refusal of the DPRK to accept the South Korean-type light water reactors (LWRs) is the questionable credibility of their safety.

The spokesman said:

Safety is vital to the atomic power plant, unlike ordinary facilities, because it is fed with radioactive particles and operated by their explosion.

Therefore, it is a usage in the atomic power plant dealing that a country designates a power plant already built as the standard to assure its buyer of the safety of the plant made on the same design.

However, the "Uljin Nos. 3 and 4" claimed to be the standard of the South Korean-type plant by the South Korean authorities are still under construction and they are to be commissioned as late as in 1999, even if the projects progressed as scheduled.

To cap it all, they are not fully domestically made. They rely on foreign countries for the key parts of the design and the core system, the vital part of the reactor.

Thus, the standard of the South Korean-type LWRs has not yet been born into the world.

South Korean atomic experts also say that the design of the reactor of South Korean-type will be completed only when "Uljin Nos. 3 and 4" are commissioned and "Uljin Nos. 5 and 6" are operated.

The design of "Uljin Nos. 3 and 4," in fact, falls short of the internationally applied standard of safety of reactors.

According to the design of "Uljin Nos. 3 and 4," the probable rate of outbreak of the accidents of reactor core melting, the index of the comprehensive assessment of the safety of an atomic power plant, is 4 times the present international standard, and the probable rate of the outbreak of the large incident of radioactive leakage has not yet been made public.

The design of "Uljin Nos. 3 and 4" is based on a reactor design more than 20 years old and the life span of the reactor in designing is 30 or 40 years, far below the 60 years of the reactors produced by the LWR exporting countries now.

There is also problems in the credibility of the accessories of main equipment of the atomic power plant which South Korea claims to be capable of manufacturing by itself.

It is producing only test products of main equipment except some secondary accessory parts, especially the body of the reactor and its turbine generator. Accordingly, they have not been verified by practical operation.

Yet they persistently attempt to export the equipment in the test-production stage. This cannot be construed

otherwise than an expression of the lack of elementary common knowledge of atomic power plant dealing or a sinister scheme motivated by a certain political purpose.

The selection of a type of LWR guaranteeing the utmost safety is directly connected with the common interests of the region including the security and environmental protection not only of our country but also of its neighbouring countries, and it is a matter requiring a high sense of international responsibility.

It is only too natural that we cannot accept the South Korean-type LWRs in view of the international usage that the operator of the atomic power plant is responsible for the consequences of a nuclear accident.

### **U.S., ROK Said Blocking New Peace System**

*SK2502041495 Pyongyang Korean Central  
Broadcasting Network in Korean 2300 GMT 24 Feb 95*

[FBIS Translated Text] A DPRK Foreign Ministry spokesman issued a press statement on 24 February in connection with the fact that the United States and the South Korean authorities are trying to block the establishment of a new peace system [saeroun pyonghwa pojang chegye].

A press statement issued by a DPRK Foreign Ministry spokesman:

Nowadays, the U.S. and the South Korean authorities are continuously making unreasonable remarks concerning the question of the parties concerned [tangsaja munje] to the establishment of a new peace system on the Korean peninsula.

The United States is trying to avert its eyes from our proposal for the establishment of a new peace system, while molding public opinion as if South Korea were a party concerned to the conclusion of a peace agreement.

The South Korean authorities are contending that the United States is not a party concerned because it signed the Armistice Agreement on behalf of the United Nations, and that, on the contrary, South Korea is a party concerned to the settlement [haegyol] of a peace agreement in conformity with the North-South agreement.

This shows that the U.S. and the South Korean authorities are attempting to block by all means [otokehana] the establishment of a peace system.

The question of establishing a new peace system, which will replace the Armistice Agreement on the Korean peninsula, is the question that should be solved between us and the United States.

The South Korean authorities have neither the qualifications, nor justification to meddle in this question [kanchamhal hadungui chagyokto myongbundo opta].

As everyone knows, the so-called UN Command [UNC], which is a signatory to the Korean Armistice Agreement,



is a U.S. brainchild that virtually [sasilsang] has no legal foundation [amurun popyulchok kichodo opnun migukui changanpumida].

As for the resolution of the UN Security Council adopted in July 1950, which is regarded as the legal foundation for the *raison d'être* of the UNC, it did not decide to organize the UN forces, but recommended that the armed forces [myryok] and other aid [kita wonjo] provided by UN member countries should be used by the U.S.-led Combined Forces Command [yonhap saryongbu].

The so-called UNC, which has existed in South Korea from the 1950's to the present moment, is nothing but the one which the United States brought into being by arbitrarily [chemottaero] attaching the name of the United Nations to the armed forces of the satellite countries under its command [chodului tongsolhan chungjuk muryok].

The United Nations has never controlled [kwanhal] the UN forces in South Korea, nor has it assigned them a peacekeeping mission [pyonghwa yuji samyong]. The UN forces in South Korea are the U.S. forces serving for the implementation of the Asian strategy of the United States. Therefore, as long as the U.S. forces continue to occupy South Korea, the United States is an unavoidable legal party concerned [hoepihalsuopnun popyulchok tangsaja] to the establishment of a peace system.

The United States has completely held and exercised the right of operational command [chakchon chihwi tong-sugwon] over the Armed Forces in South Korea as a whole [chonbanjok] and still does so.

The South Korean authorities are failing to exercise a complete right of command [tongsugwon] over their armed forces, and, furthermore, the reality is that they are failing to exercise any right over the U.S. forces in South Korea. Under these circumstances, even if the South Korean authorities should squeeze in the question of establishing a peace system, this will only complicate the situation and there will be nothing for them to do.

Moreover, through the North-South agreement, the South Korean authorities committed themselves to us to nonaggression and formed even a joint military committee with us for its implementation. Under these circumstances, their effort to imprudently [punsuopsi] poke their nose in the establishment of a peace system is nothing but an attempt to scrap [paekchihwa] the North-South agreement.

Both from the legal point of view and in view of the state of the present armed forces in South Korea, if the United States continues to shirk its responsibility as a practical party concerned [silchonjok tamdangja] to the establishment of a new peace system on the Korean peninsula, we will have no choice but to take more necessary measures to solve this [urinun irul haegyolhagiwihayo pilyohan chochirul tochwihaji anunulsu opkedoelkosida].

**U.S. 23 Feb 'Surprise Attack' Exercise Detailed**  
*SK2502102795 Pyongyang KCNA in English 1021*  
*GMT 25 Feb 95*

["Military Exercises Against North"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 25 (KCNA)—The bellicose U.S. imperialists held a long-distance nonstop bombing exercise for a surprise attack on the northern half of Korea in the sky above Anmyon Islet, South Korea, on Feb. 23, military sources said.

It involved overseas-based refueling tankers and some ten pursuit-assault planes of the U.S. Pacific Fleet.

On the same day, the U.S. imperialists and the South Korean puppets held a joint air war exercise for preemptive strikes at strategic targets of the North in the sky above the West Sea of Korea with some 310 fighters belonging to the U.S. Seventh Air Force and the puppet air force under the command of an E-3 plane.

The war planes involved in the air war exercises in the South Korean airspace against the North that day numbered more than 860.

Meanwhile, that day, the South Korean puppets held an exercise of detecting targets of the North and striking them with missiles with some ten helicopter gunboats in the skies above the western, central and eastern sectors of the front, and 105mm artillery pieces and soldiers of the puppet army fired more than 3,400 shells and bullets at areas adjacent to the Demilitarized Zone.

**23-24 Feb Exercises by 'Puppet Army' Condemned**  
*SK2602082595 Pyongyang KCNA in English 0814*  
*GMT 26 Feb 95*

["Endless Military Provocations in DMZ"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 26 (KCNA)—The South Korean puppets brought hundreds of puppet army scoundrels armed with heavy weapons in the Demilitarized Zone [DMZ] in the central and western sectors of the front on Feb. 23 and 24 to stage a night attack exercise, firing over ten flare bombs, according to military sources.

On the 24th, they deployed 12.7mm machine guns in the Demilitarized Zone in the central sector of the front and threatened the lives of soldiers of the People's Army, taking firing posture. They also brought in the area over ten military vehicles carrying death tools and armed bandits.

The military provocations of the South Korean puppets which are getting more reckless in this area prove that the Kim Yong-sam clique are pursuing distrust, confrontation and division, not national unity and reunification.



**North 'Unable' To Attend Comfort Women Meeting***SK2602015895 Pyongyang Korean Central Broadcasting Network in Korean 2200 GMT 25 Feb 95*

[Statement issued by the DPRK delegation of the Measure Committee for the Compensation of Comfort Women and Victims of the Pacific War in Pyongyang on 25 February—read by announcer]

[FBIS Translated Text] The DPRK delegation of the Measure Committee for the Compensation of Comfort Women and Victims of the Pacific War issued a statement that the delegation is unable to participate in the third Asian solidarity conference on the issue of comfort women to be held in Seoul due to the interference maneuver of the South Korean authorities.

The statement reads:

A statement of the DPRK delegation of the Measure Committee for the Compensation of Comfort Women and Victims of Pacific War:

As it has been reported, at the invitation of the South Korean Measure Council for the Comfort Women Issue, our delegation was supposed to attend the third Asian solidarity conference on the issue of the comfort women to be held in Seoul from 27 February. In order to show a sincere attitude toward the conference, our delegation notified the South Korean organizer that we have made all preparations and will arrive in Seoul through Panmunjom.

According to usual practices to take measures to pass through Panmunjom, our delegation, with the help of our Red Cross Central Committee and through our side's Panmunjom liaison officer, officially requested that the South Korean Red Cross liaison officer ask the organizer—the South Korean Measure Council for the Comfort Women Issue—to send a memorandum of understanding on a guarantee of personal security during our delegation's stay in Seoul.

In light of the humanitarian nature of the Seoul conference, it is natural that we tried to solve the working problems for us to go to Seoul using the Red Cross channel at Panmunjom. However, the South Korean authorities, whom we never asked for cooperation, came forward and tried to take charge of the issue. They tried to complicate the issue by raising holding a contact between representatives of the two sides' Panmunjom liaison offices and working-level discussions. Moreover, the relevant officials of the South Korean Red Cross at Panmunjom, whom we asked for cooperation, did not show any response to our request for cooperation and did not send any official answer until now, when the time for our delegation to pass Panmunjom is imminent. On the contrary, the South Korean authorities, from whom we do not expect any answers, are busy finding fault with our side asking why there is no news from the North side's authorities.

In particular, we cannot understand the South Korean authorities' act of issuing so-called preposterous certificates of visit instead of a memorandum to guarantee personal security, which they should deservedly issue to the sponsoring organization according to custom, and instructed that certificates of visit be handed over to our delegates.

Certificate of visits never existed for the past scores of years when the people in the North and the South visited each other that we heard about. It is a strange piece of paper, whose example is unprecedented.

With a view to clearly confirming the fact, at around 1130 on 25 February, a day before the date scheduled for passing through Panmunjom, we took the step of reminding the South side's Red Cross liaison official of ensuring the memorandum of personal security through our side's Red Cross liaison officer in Panmunjom. However, the opposite side, evading an immediate answer, told him to wait. Furthermore, the answer, given 15 minutes later, was even more vague.

All facts clearly prove that although the South Korean authorities outwardly permitted our delegation to attend the conference, in actuality pursued other insidious aims on the pretext of issuing a memorandum of personal security for our delegation, and obstructed our delegation from participating in the current conference.

From the outset, the South Korean authorities have no reason and justification for interfering in gatherings between civilian organizations of the North and the South and ordering them to do this and that.

South Korean authorities are acting as if they are doing a kindness for others by issuing certificates of visit. However, our delegation cannot go into Seoul by merely trusting in such a piece of paper.

The reason why the South Korean authorities are attempting to block our delegation's trip to the South and to create obstacles to the meeting is not hard to understand.

For South Korean authorities, the forthcoming conference not only goes counter to their antinational position of having called off the comfort women issue, but also fails to comply with their policy of integrating dialogue channels.

Recognizing that such an insidious maneuver by the South Korean authorities is an antinational act of running counter to desire of all Korean women and all the people to resolve the comfort women issue and is an antireunification act of blocking North-South unity and national reunification, our delegation sternly denounces them.

The South Korean authorities should assume full responsibility for blocking civilian-level contacts between the North and the South and for blocking the participation of our delegation in this conference as scheduled.



Although the South Korean authorities blocked our trip to the South, they can never block the comfort women issue being resolved, nor can they block our fatherland's reunification being achieved by the united strength of the people in the North and the South.

Although our delegation failed to attend the conference owing to the South Korean authorities' interference maneuvers, our delegation will send texts for discussions and a draft of a resolution, which we have prepared for the success of the conference, to the sponsoring organization.

[Issued] 25 February 1995, Pyongyang

#### **'Obstructions' Prevent Attendance**

SK2602084395 *Pyongyang KCNA in English 0833*  
GMT 26 Feb 95

["S. Korean Authorities To Blame for DPRK Delegation's Absence in Seoul Meeting"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 26 (KCNA)—A delegation of the Measure Committee of the Democratic People's Republic of Korea for demanding compensation to "comfort women for the army" and the victims of the Pacific war released a statement on Saturday [25 February] after it became impossible for it to participate in the Third Asian Solidarity Meeting on the issue of "the comfort women for the army" in Seoul due to the obstructions of the South Korean authorities.

The statement branded such a rude act of the South Korean authorities as an anti-national act contrary to the desire of all the Korean women and the whole nation to resolve the issue of "the comfort women" and an anti-reunification act.

It said:

After making all the necessary preparations to participate in the meeting with sincerity, our delegation informed South Korea's Council of Measures on the Volunteers Corps, the sponsor side, of its plan to go to Seoul through Panmunjom. And through our side's Red Cross liaison official, it officially asked the South side's liaison official to notify the sponsor side that the delegation wants a note guaranteeing the personal safety of its members during their stay in Seoul.

But the South Korean authorities, whose cooperation we had not requested, attempted to orchestrate the issue and made it complicated, talking about "a contact of representatives" of the liaison offices of both sides at Panmunjom and "business-like discussions." And they are charging the North with "no response".

All the facts clearly show that though the South Korean authorities tried to create the impressions that they allow our delegation to participate in the meeting, they, in actuality, obstructed its participation in the meeting,

seeking a sinister purpose as regards the note of guaranteeing the personal safety of the delegation.

The South Korean authorities have no justification to poke their nose into a meeting of non-governmental organizations in the North and the South.

Though they pretended to do the delegation "a favor" with something like "visitor's card", our delegation will not go to Seoul, placing confidence in such a sheet of paper.

The South Korean authorities must be held entirely responsible for blocking a non-governmental contact between the North and the South and barring our delegation from participating in the meeting as scheduled.

Though it could not participate in the meeting due to the obstructive moves of the South Korean authorities, our delegation will send to the sponsor side the written speeches and a draft of resolution it prepared for the success of the meeting.

#### **ROK 'Refused To Guarantee' Safety**

SK2702060195 *Pyongyang KCNA in English 0533*  
GMT 27 Feb 95

["Anti-Reunification Nature Revealed"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 27 (KCNA)—NODONG SINMUN today accuses the South Korean authorities of having refused to guarantee the safety of a delegation of the DPRK measure committee for demanding compensation to "comfort women for the army" and the victims of the Pacific War and thus blocked it from taking part in the third Asian solidarity meeting on the issue of the "comfort women for the army" in Seoul.

The news analyst says:

This is part of the anti-national acts of the South Korean rulers who do not want the improvement of North-South relations and an expression of their fascist arbitrariness in trying to play the solo in North-South dialogue by bringing it under the "control of authorities" and aggravate confrontation and division.

It is an unpardonable anti-reunification, anti-dialogue act for the South Korean rulers to block the southern trip of the DPRK delegation, poking their nose into a meeting of non-governmental organisations.

The Kim Yong-sam group has made a clean sheet of the crimes committed by the Japanese imperialists in their invasion of Korea including the "comfort women" issue and is tightening the tieup with Japan, twanging the harp of "future-oriented relations." The South Korean authorities did not want the North and the South to harmonize their voices over the "comfort women" issue. This is another reason why they blocked the southern trip of the DPRK delegation.



This is an unpardonable crime against the desire of the women and the whole nation for the settlement of the "comfort women" issue and the unanimous desire of the fellow countrymen for national unity and reunification.

The people in the North and the South will never pardon this anti-national, anti-reunification crime of the South Korean authorities.

### **ROK Rejection of National Meeting Denounced**

*SK2702090095 Pyongyang Korean Central  
Broadcasting Network in Korean 0630 GMT 25 Feb 95*

[Dialogue between reporters Chong Song-kang and Yi In-chun: "Destruction Is the Only Result for the National Traitor"]

[FBIS Translated Text] [Chong] How are you?

[Yi] How are you?

[Chong] The so-called civilian regime in South Korea, the national traitor Kim Yong-sam puppet regime, is drowning in a dead-end crisis. Today, we will talk about this.

[Yi] The Kim Yong-sam puppet clique is being isolated at home and abroad because, above all, it challenged the long-cherished desire for reunification while adhering to antinational and antireunification criminal maneuvers. As it has been reported, the joint meeting of the DPRK political parties and social groups held in Pyongyang on 24 January adopted a letter of appeal to South Korean and overseas political parties, social groups, and compatriots of all social strata calling for discussions on measures for turning a new page for the reunification of the fatherland on the occasion of the 50th anniversary of the fatherland liberation.

Through radio, television, and newspaper reports, it was made known to the world that the letter of appeal contains an important proposal for all Korean compatriots at home and abroad to gather at one place in Panmunjom on 15 August this year to lavishly celebrate the 50th anniversary of the fatherland liberation at an all-nation level, and on this significant festival, hold a grand national meeting attended by representatives of all parties, factions, and strata to discuss and finalize the common national reunification method. Our proposal is a timely and fair proposal that reflects the unanimous desire and will of the entire nation. It is having great repercussions from people at home and abroad.

[Chong] That is right. However, the Kim Yong-sam puppet clique said it could never accept the grand national meeting because it takes the form of a united front and raved that discussions on the joint celebration of 15 August must be made through dialogue between authorities. This plainly revealed the Kim Yong-sam ring's criminal attempt to block the road for all parties, groups, and people of all walks of life to broadly participate in dialogue on reunification. Furthermore, on the

two events, which are both a grand national meeting in nature, the Kim Yong-sam fascist clique made up some sophism that objects to the grand national meeting because it takes the form of a united front but supports the 15 August joint celebration. It is a self-contradicting absurd tactic that denies even the joint celebration of 15 August.

[Yi] That is right. By opposing broad civilian dialogue, the Kim Yong-sam puppet clique exposed its splittist policy that is afraid of the popular masses and dislikes reunification. It is not difficult to predict how viciously the antireunification elements will maneuver to challenge the nation's aspiration for reunification and block the South Korean people's reunification movement. Some time ago, the Kim Yong-sam puppets raved about some orders to intensify anticommunist investigations and root out pro-North leftist forces. In fact, this is an order to devastate proreunification democratic forces. Our nation can never achieve reunification if the traitorous groups like the Kim Yong-sam puppets, who desperately oppose the reunification of the country, remain intact.

[Chong] Yes. The fact that the deceptive and antinational nature of the puppet traitor's globalization maneuver is being disclosed more and more, proves that the Kim Yong-sam ring is in a ruling crisis. It is well known that the globalization concept raised by the traitor Kim Yong-sam is ambiguous. It is facing strong opposition from the people because the maneuvers made behind the scenes are extremely antinational, anti-democratic, and antireunification. The ghostly globalization is causing confusion, denunciation, and criticism even inside the ruling circles.

[Yi] Yes. Frightened by such a reaction, the puppet traitor rascal Kim Yong-sam convened a so-called globalization promotion committee on 25 February and played a game of giving explanations on the troublesome globalization. The traitor Kim Yong-sam, illiterate and stupid in politics, raved that the pain suffered in the 20th century should not be repeated, and that globalization is the survival strategy to cope with the changes in the 21st century and the development strategy to stand in the center of the world. He instantly rattled that globalization means humanization, rationalization, unification, Koreanization, and making everything first class. This is an ignorant's political comedy.

[Chong] Right. Facing the question posed by various strata of the South Korean society on what globalization is, and on how it differs from internationalization, Kim Yong-sam played the explanation game, but the explanation itself was obscure and the people were unable to understand it. The media of South Korea and the world reacted by saying that his explanation aroused even more questions. The problem is that even that explanation did not come out from the head of the traitor Kim Yong-sam. According to a South Korea radio report, the traitor Kim Yong-sam, who uttered the word globalization but



still could not define the concept up to this moment, asked someone else to write a book on the president's globalization idea. On that day, he memorized a few lines from the book. The radio exposed that it is natural for Kim Yong-sam, a dimwit who is poor in politics and philosophy, and ignorant in economics, to be unable to properly explain globalization.

[Yi] That is a right disclosure. The Kim Yong-sam puppet clique came forward with the so-called globalization to divert the South Korean people's resistance and attention and escape from the ruling crisis. However, it caused confusion in the South Korean society and there is no doubt that the clique will face an even more serious ruling crisis. We are already seeing signs of the crisis. The Kim Yong-sam puppets are playing the game of reforming the Democratic Liberal Party saying they will form a new ruling party in conformity with the trend of globalization. However, the game drove the upper circles of power to a dog-fight ring. Particularly, various social evils were exposed in succession in South Korea this year, endangering the Kim Yong-sam puppet regime. No matter how the Kim Yong-sam puppet clique tries to avoid the ruling crisis using some globalization, the civilian traitorous puppet regime is doomed to ruin. Only the grave is waiting for the Kim Yong-sam puppet clique, which rejects the popular masses' opinion and is dashing toward the road to betray the nation.

#### **'Serious Crisis' Facing Kim Yong-sam Government**

*SK2402153395 Pyongyang KCNA in English 1525 GMT 24 Feb 95*

["S. Korean Puppet Regime of Eve on Collapse"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 24 (KCNA)—The Kim Yong-sam regime of South Korea is now facing a serious crisis, utterly forsaken at home and abroad for the heinous crimes it has committed against the nation over the past two years since it made its appearance.

The great leader President Kim Il-song said:

"It is natural that the South Korean people and public figures say that there is no need to watch the present South Korean regime any longer and that they have nothing to expect from it."

The serious crisis of the Kim Yong-sam puppet regime facing collapse is an inevitable product of its anti-popular, anti-national and anti-reunification "reform policy," "policy towards the North" and "foreign policy."

"The reform policy" persistently pursued by the Kim Yong-sam "civilian" regime has caused a catastrophic situation in the political, economic and all other fields of the South Korean society and created a crisis of the puppet regime for its reactionary nature.

Ringling out from among the people throughout South Korea are angry voices denouncing the traitor Kim Yong-sam who has driven the society into a bottomless quagmire over the last two years, implementing none of the 1,226 items of his "election commitments" and many "inaugural commitments".

In this period the Kim Yong-sam fascist gang of murderers have arrested tens of thousands of people with the mobilization of riot police hundreds of thousands strong by pursuing "a new security-oriented rule." In the first eight months of last year they fired 52,720 teargas canisters of various kinds in the unheard-of brutal suppression.

But the 2,100 cases of struggle of the people were reported in January-September period of last year. They involved 1,330,000 people, the previous year's figure being 800,000.

The anti-puppets struggle has drawn opposition political parties, dissident democratic organizations, women's organizations, religious organizations and all other democratic forces including the South Korean Federation of General Students Councils, the National Council of Representatives of Trade Unions and the National Federation of Peasants' Associations.

The Kim Yong-sam regime's "reform policy" is, in essence, aimed at getting rid of their political adversaries and consolidating the foundations of their power.

Since he came to power, Kim Yong-sam changed "prime ministers" four times and carried out "cabinet reshuffles" six times.

The "cabinet reshuffles" made in December 1993 and in December last year were of a larger scale than those by any of the preceding puppet regimes. They were, in actuality, political coups.

The failure of the Kim Yong-sam group's "new economic policy" had rendered the puppet regime's crisis more serious.

The traitor Kim Yong-sam put forward "the 100-day new economic plan" and then "the five-year new economic plan." However, the South Korean economy is going headlong to total bankruptcy due to the puppets' policy of colonial economic dependence and the colonial export-oriented policy. More than 7,000 minor enterprises went bankrupt on a monthly average in the first eight months of last year. The self-sufficiency rate of grain last year was 29 percent, a record low.

The crisis facing the traitor is also manifested in the staggering foreign debts and chain of accidents and crimes.

The rate of opposition to Kim Yong-sam has surpassed 90 percent by far, and it is moving close to the fatal line for the traitor.



The complete failure of the Kim Yong-sam group in their "policy towards the North" in its two years of office is magnifying their ruling crisis.

When he "was sworn in," Kim Yong-sam said, "no ally can be better than the fellow countrymen." But at the "press conference for home and foreign reporters on the one hundredth day of his inauguration," he cried that he "cannot shake hands with a partner possessed of nuclear weapons." And he told "a press conference for home and foreign reporters on the lapse of one year since he took office" that "the North has no nuclear weapons." Like this, he changed "the policy towards the North" tens of times over the past two years.

The South Korean puppets' "policy toward the North" is condemned by all the fellow countrymen because it is underlain with an anti-national criminal scheme to start a war against the North.

This confrontational "policy toward the North" ended up in a total fiasco when they trained guns at the North, far from expressing condolences over the misfortune of the fellow countrymen in the North in July last year.

No sooner had the news of the misfortune been published than the traitor Kim Yong-sam issued "a special alert order" to the puppet army and "an A-class emergency order" to the whole police, called "a security meeting" and "an emergency state council meeting" and cried that "all the government officials must be prepared for a state of emergency."

He also made phone calls to Japan, the United States, Britain, France and Germany entreating for "an international cooperation system", and issued "an order" to suppress South Korean people and students expressing condolences.

For these heinous crimes, the Kim Yong-sam group are utterly forsaken at home and abroad and are regarded as a target of overthrow with whom the nation cannot live under the same sky and as a group of human dregs who should be thrown into the dump of history.

The anti-national flunkeyist "foreign policy" pursued by the Kim Yong-sam group is coming apart at seams because it is a criminal "diplomatic policy" for leaving the whole of South Korea to the tender mercy of outside forces.

The traitor Kim Yong-sam is keeping intact many treacherous "treaties" and "agreements" concluded with the United States and Japan by the successive puppet regimes, promised his master to pay three billion dollars every year for the maintenance of the U.S. forces in South Korea and opened the rice market. His flunkeyist and treacherous crimes are, indeed, immeasurable.

The pro-U.S., pro-Japanese "foreign policy" of his regime has made South Korea entirely dependent on the two countries.

The "foreign policy" of the South Korean rulers has totally collapsed with the progress of the DPRK-U.S. talks, with the result that the international isolation of the puppets has become all the more serious.

Facts clearly indicate that over the past two years, the puppets' "reform policy," "policy towards the North" and "foreign policy" have proved a total fiasco for their reactionary nature and "the civilian" regime is now on the verge of destruction.

The nation will keep tabs on the crimes of the traitor Kim Yong-sam and the puppet regime is destined to collapse.

#### **Remarks by ROK Foreign, Defense Ministers Noted**

*SK2602105495 Pyongyang KCNA in English 1040 GMT 26 Feb 95*

["Epileptic Fit of Colonial Lackeys"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, February 26 (KCNA)—NODONG SINMUN today blasts the recent folly of the South Korean puppets who, at what they called "forum," strung out words seriously getting on the nerves of the North, such as "sanctions" and "arms buildup."

The analyst says:

The puppet Foreign Minister Kong No-myong blared that, "should the implementation of the Geneva agreement between the North and the United States hit a snag," the South "would sternly react" with "sanctions against the North" and "buildup of Armed Forces." And the puppet Defense Minister Yi Yang-ho cried for the "resumption" of the Team Spirit joint military exercises and driveled that, if they were suspended this year, an "alternative rehearsal" would be considered.

Kong No-myong and Yi Yang-ho are the chief characters of the new "diplomatic and security team" built by the traitor Kim Yong-sam toward the end of last year to make up for the failure of his "policy toward the North and foreign policy."

The abuses they heaped on fellow countrymen in the early days of their office make us guess without difficulty how many nasty things they will do for North-South confrontation.

Kong No-myong had lobbied in the United States to put a spoke in the wheel of the implementation of the DPRK-U.S. agreed framework and, as if it were not enough, he cried for "sanctions" and "arms buildup." This throws another revealing light on the malicious intention of the Kim Yong-sam traitor clique to put brakes on the implementation of the agreement at any cost and do harms to fellow countrymen.

As we have declared more than once, no "sanctions" and military pressure can work on our Republic. The puppets



would be well advised to behave with discretion, mindful of the doom they would face, if they led the situation on the Korean peninsula to a war.

The puppets are now trying hard to stage the Team Spirit rehearsal, a very dangerous nuclear war gamble against our republic. But it either will never bring anything good to them.

Kong No-myong and Yi Yang-ho are obviously thoughtless, judging from their ugly torrent of words totally contradicting the DPRK-U.S. agreed framework.

The Kim Yong-sam group must not wag their tongues freely.

### South Korea

#### Death of DPRK Defense Minister Reported

SK2402231795 Seoul YONHAP in English 2254 GMT  
24 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—North Korea's defense minister and No. 2 man O Chin-u died of "a chronic disease" at 2:00 AM Saturday [1700 GMT 24 February] [time as received], Radio Pyongyang said.

His body is laid in state in the Feb. 8 Cultural Hall and a national funeral will be held for him, the report said. But it did not say when the funeral will be held.

With his death, Kim Chong-il now is the only member of the Workers' (Communist) Party Politburo, the core of power in the communist country.

O, known to have suffered from lung cancer, was treated in Paris hospitals last autumn.

#### Speculation on O's Successor

SK2502045795 Seoul YONHAP in English 0448 GMT  
25 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—North Korean People's Army Chief of General Staff Choe Kwang, 77, will most likely succeed the People's Armed Forces Minister O Chin-u, who died Saturday morning, due to military hierarchy and political cronyism.

One of the eight vice marshals, Choe Kwang, has been the acting minister of People's Armed Forces while O, due to illness, was unable to perform his duties.

The seven other vice marshals include Vice People's Armed Forces Ministers Kim Kwang-chin and Kim Pong-yul, chief presidential body guard Yi Ul-sol, and Central Military Commissioner Yi Tu-ik. The remainder are the Workers' Party Civil Defense Chief Kim Ik-hyon, Kim Il-song Political University President Choe In-tok, and Central Military Commissioner and Public Security Minister Pak Hak-nim.

A first-generation partisan, Choe Kwang has long been a number two man in the military after O Chin-u and has played a pivotal role in cementing the foundation for Kim Chong-il's succession to power.

Choe had a dramatic rise and fall in his career. He was first named Army chief of general staff in 1963 but was ejected from the post in February 1969, implicated in the then National Defense Minister Kim chang-bong case.

It was in 1980 that he was reinstated as the Workers' Party Central Committee member and Political Bureau alternate member. He finally returned to the post of Army chief of general staff in 1988.

#### 'Watchers' Predict 'Troika'

SK2502060195 Seoul YONHAP in English 0546 GMT  
25 Feb 95

[Article by Kim Myong-chol]

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—The death of O Chin-u, less than a year after Kim Il-song's death, raises several questions for North Korea watchers here.

How will it affect North Korea's military hierarchy? How will North Korea's military move to cement Kim Chong-il's leadership system?

As Kim Chong-il is not yet formally installed as North Korea's new leader, the military, especially its movement after O's death, will carry heavy responsibilities in Kim's move to consolidate his leadership.

The Armed Forces under O's control played the key role in making Kim Chong-il its supreme commander in December 1991 and in installing him as successor to his father, the great leader Kim Il-song, after his death last July. The North Korean military will continue playing this role after O's death, many North Korea watchers said.

There has been no change in the military hierarchy since Kim Il-song's death, and this supports the theory that the hierarchy was fixed before the elder Kim's death, they observed.

Many general-grade officers of the military were on Kim Il-song's National Funeral Committee last year, which is still seen as the current list of North Korea's power elite.

On this committee, People's Armed Forces Minister O Chin-u was ranked second only after Kim Chong-il. Chief of General Staff Choe Kwang of the People's Army was listed ninth, National Defense committeeman Kim Chol-man 14th, National Defense Committee member Vice Marshal Yi Ha-il 42nd and Workers' Party Central Military Commission member Vice Marshal Kim Ik-hyon 43rd.

Many North Korea watchers agree the posts of People's Armed Forces minister and first vice chairman of the



National Defense Committee vacated by O's death will be taken over by Choe Kwang.

Choe, 77, belongs to the first generation of the revolution for his participation in Kim Il-song's anti-Japanese partisan operations during the days of Japanese rule, as did the late O.

As the People's Army chief of general staff, he now controls the Army, the Navy and the Air Force of North Korea, and he ranks second only to O Chin-u in the military.

His experience in the anti-Japanese partisan operations and the Korean war made him the military brain of Kim Chong-il.

In spite of his age, he recently toured Southeast Asian countries and has never been absent from important national functions since Kim Il-song's death, demonstrating his good health.

O Kuk-yol, 67, and Yi Pong-won, 70, both members of the party's Central Military Commission, are expected to play a leading role, together with Choe, in the North Korean military, after O's death.

Ranked 45th on the National Funeral Committee, O Kuk-yol is known to be a son of one of the five O brothers famous in Kim Il-song's anti-Japanese partisan troops and a classmate of Kim Chong-il at Mangyongdae School, an exclusive private school in North Korea.

Though a nephew once removed of O Chin-u, he was hated by his uncle and removed from the post of the People's Army chief of general staff.

Thus, it is highly possible that he will assume an important military post after his uncle's death because of his close friendship with Kim Chong-il, North Korea watchers said.

In case Choe Kwang is promoted to People's Armed Forces minister, O Kuk-yol will once again be installed as the People's Army chief of general staff, many of them predicted.

Yi bong-won is deputy general Political Bureau director of the People's Army, and O's death will make him director of this all-powerful agency of the military, the post that O is currently holding.

This bureau is responsible for ideological education in the military and often called "the party in the Armed Forces."

He also is close to Kim Chong-il, and he was seen beside Kim Chong-il in all of his five public appearances after Kim Il-song's death.

Thus, the troika of Choe Kwang, O Kuk-yol and Yi Pong-won will lead North Korea's military after O Chin-u's death to solidify Kim Chong-il's leadership, according to many North Korea watchers.

### Kim 'To Realign' Power Hierarchy

SK2602060295 Seoul YONHAP in English 0555 GMT  
26 Feb 95

[FBIS Transcribed Text] Seoul, Feb. 26 (YONHAP)—North Korea's Kim Chong-il is expected to use the coming Supreme People's Assembly (Parliament) election in April to realign the communist country's power hierarchy, placing his close associates, or the so-called second generation of the revolution, in major party, government and military posts, a ranking government official said Sunday.

He, speaking on condition of anonymity, added Kim would appoint the second-generation revolutionaries in their 50s as members of the Workers' (Communist) Party Politburo, the core of power in the reclusive Stalinist country.

The death of Defense Minister O Chin-u Saturday made it necessary for Kim to name the replacements of Kim Il-song and O Chin-u as full members of the Politburo by the parliamentary election. The Politburo has three full members, with Kim Chong-il remaining the only one alive.

O was the number two man only next to Kim Chong-il and represented the revolution's first generation, and his death would make it easy for Kim to place his friend-general grade officers in their 40s and 50s in major military posts in his shake-up of the military, he observed.

Kim started in 1993 to form his connections in the Armed Forces, placing his close friends in command of major units, and he will assign second-generation revolutionaries to important military posts before the parliamentary election is held in late April, he said.

### Dailies Analyze Possible Results

SK2602134895

[FBIS Editorial Report] The following is a compilation of articles and editorials published in ROK vernacular dailies on 25 and 26 February on the death of O Chin-u, North Korea's minister of the People's Armed Forces.

The moderate CHUNGANG ILBO carries on page 5 of its 25 February edition a 600-word article by reporter Yu Yong-ku on the expected generational shift that may occur in North Korean military circles following the death of O Chin-u, "a first-generation partisan" and "guardian of Kim Chong-il, as well as the number two man in North Korea." The article notes: "His death is advantageous for Kim Chong-il since Kim is almost able to stand on his own feet, having overcome the confusion following Kim Il-song's death. Kim Chong-il is going to have an opportunity to change generations in political and military circles so that he will have no rivals to power."



The article added: "If Choe Kwang succeeds O Chin-u's post as minister of the People's Armed Forces and first vice chairman of the National Defense Commission, the core of North Korea's military, then Choe Kwang's double position as chief of the General Staff and vice chairman of the National Defense Commission will become very important posts. If O Kuk-yol, former chief of the General Staff of the Korean People's Army [KPA] and director of the party's Operations Department in charge of activities toward South Korea, succeeds Choe Kwang to these two posts, a new generation will be brought to military circles. Choe Kwang is a taciturn and obstinate man of the old generation, like O Chin-u; O Kuk-yol is an open-hearted and flexible man with an advanced way of thinking."

The article notes the possibility that O Kuk-yol, who is "certainly Kim Chong-il's man" and "is supported by a broad group within the army," will be appointed minister of the People's Armed Forces because of his experience in controlling the overall army as chief of the General Staff during the time O Chin-u was on his sickbed due to a traffic accident. The article further notes that if O Kuk-yol succeeds O Chin-u, then Yi Ha-il, director of the party's Military Department, will probably be appointed chief of the General Staff because he is "the top man for North Korean military operations."

The article concludes by predicting that O Chin-u's death will bring no change in North Korea's general policy nor in its economic, ROK, and nuclear policies.

The moderate MUNHWA ILBO carries on page 4 of its 25 February edition a 500-word article by reporter Han Chong-ho similar to the above CHUNGANG ILBO article. In particular, this article reports: "If Choe Kwang succeeds People's Armed Forces Minister O Chin-u, then KPA Vice Marshal Kim Kwang-chin will most likely succeed Choe as chief of the General Staff." The article notes the possibility that the position of KPA General Political Bureau director, which O Chin-u assumed, will be turned over to the bureau's vice director Yi Pong-won as a position separate from that of minister of the People's Armed Forces. The article also touches on the likelihood that O Kuk-yol, a second-generation revolutionary, will be appointed minister of the People's Armed Forces.

The conservative CHOSON ILBO carries on page 3 of its 26 February edition a 1,000-word editorial entitled "Kim Chong-il Standing on His Own Feet." The editorial points out that, with O Chin-u's death, "one of the pillars of the Kim Chong-il support system has collapsed earlier than expected," and Kim Chong-il "will probably have to make solitary decisions on important issues." The editorial particularly notes that "one of the greatest problems Kim Chong-il will face is how to handle high-ranking cadres in the party's Political Bureau" without "Kim Il-song's absolute charisma or the existence of O Chin-u." The editorial stresses "no one can predict what will occur in North Korea's power structure" or "how the power structure will change in a North

Korean next-generation army." The editorial mentions the possibility that "Kim Chong-il will greatly delay in rearranging the power structure in a bid to minimize the shock from such a rearrangement," pointing out that "this will create serious political and economic inefficiencies."

The editorial feels it is unlikely that any clear change will be made in South-North relations, noting: "Differences in opinion on the ROK are not noticed in the North Korean leadership, while differences in our attitude toward North Korea are easily encountered."

The moderate HANGUK ILBO carries on page 3 of its 26 February edition a 1,200-word editorial entitled "O Chin-u's Death and North Korea's Army." The editorial states: "O Chin-u's death signifies the exit of the so-called first generation of the revolution." However, the editorial mentions "there will be no significant change in North Korea no matter who succeeds O Chin-u," noting the possibility that "senior officers will rebel against Kim Chong-il, who became supreme commander of the KPA, chairman of the National Defense Commission, and marshal despite having never performed military service, not even for a day."

The pro-government SEOUL SINMUN carries on page 3 of its 26 February edition an 800-word editorial entitled "Kim Chong-il's New Choice." The editorial believes "North Korea will inevitably change" following the deaths of O Chin-u and Kim Il-song. Presupposing that "North Korea's change is more important than anything else for coexistence, co-prosperity, and reunification of South and North Korea," and asserting that "North Korea cannot survive without changing its system, a system that can be effected by opening up and reform," the editorial hopes North Korea "will change in an orderly, reasonable, and practical direction," with O Chin-u's death being the "initial explosive."

#### **North Said Distributing Materials on Succession**

SK2702061195 Seoul HANGUK ILBO in Korean 27 Feb 95 p 8

[From the "These Days in Pyongyang" column by Hong Yun-o]

[FBIS Translated Text] North Korea has distributed to its residents official material explaining the delay in Kim Chong-il's ascension to power.

According to NAEWOE News Agency, functionaries of the General Association of Korean Residents in Japan [Chongnyon] said on their return from North Korea that North Korea is informing its residents with educational material entitled "Written answer to questions why the ceremony for Comrade Kim Chong-il's succession to power is not being carried out."

The materials explain that "Comrade Kim Chong-il taught that the ceremony should not be hastily carried out since it is against traditional courtesy for a mourner



to go out within five years," and maintained "since Comrade Kim Chong-il is performing smoothly, the residents should not worry."

### **Ministry Announces 'Suspension' of Team Spirit**

*SK2502034495 Seoul KBS-1 Radio Network in Korean 0305 GMT 25 Feb 95*

[FBIS Translated Text] This year's Team Spirit exercise will not be conducted. The ROK Defense Ministry announced this morning that the ROK Government has decided not to conduct the Team Spirit exercise scheduled for next month. Yi Chun-hui reports live from the Defense Ministry:

[Begin Yi recording] The ROK Defense Ministry announced today the decision not to conduct the Team Spirit exercise slated for March this year in the expectation that North Korea will faithfully implement the U.S.-North Korean Geneva agreement on the North Korean nuclear issue. The Defense Ministry stated that the U.S.-North Korean Geneva agreement is in the initial stage of implementation, and the ROK and the United States expect North Korea will faithfully implement the agreement.

A relevant official of the Defense Ministry said that today's announcement on the suspension [chungdan] of the Team Spirit exercise means the Team Spirit exercise, which is usually planned for every March, will not be conducted this March and that it has not been decided if the exercise will be conducted after March. The official added that this year's suspension of the Team Spirit exercise has no preconditions and that, considering that North Korea has demanded the suspension of the exercise, the suspension will foster a favorable atmosphere for North Korea to sincerely implement the Geneva agreement.

The government's announcement on the suspension of the exercise is more moderate than last year's conditional suspension, which had promised the suspension of the Team Spirit '94 exercise if North Korea properly accepted nuclear inspections. The government's announcement is interpreted as the government's position not to carry out this year's Team Spirit exercise. [end recording]

### **Team Spirit 'Virtually Canceled'**

*SK2502072395 Seoul YONHAP in English 0716 GMT 25 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—South Korea and the United States have virtually canceled this year's joint military exercise, the Team Spirit 1995, that was originally scheduled in March, the Defense Ministry announced Saturday.

The ministry's information officer, Kim Yong-chol, said that the two countries have decided not to conduct the

joint military exercise slated for March under the expectation that North Korea will faithfully implement the Washington-Pyongyang basic nuclear agreement reached in Geneva last October.

Meeting the reporters at the ministry's press room, Kim disclosed in a statement that the government has made close consultations with the United States on carrying out the Team Spirit for this year while evaluating the state of security on the Korean peninsula in the wake of the Geneva framework agreement.

"But, we made such decision as the Geneva agreement is currently in its initial stage of implementation," he said.

However, another official at the Defense Ministry claimed that the ministry's announcement merely meant that the Team Spirit exercise will not be held in March.

He then indicated the possibility of resuming talks on carrying out the exercise after March by saying "we have not made any decision on whether to conduct the Team Spirit after March."

### **Reaction to North Withdrawal From Forum Reported**

*SK2602021895 Seoul YONHAP in English 0207 GMT 26 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 26 (YONHAP)—North Korea will not attend an Asian conference on "the comfort women" forced into prostitution for the Japanese Army during World War II, slated for Feb. 27-March 1 in Seoul, the National Unification Board said citing Radio Pyongyang's newscast at 7:47 AM Sunday.

North Korea has earlier informed Seoul of its plan to send a seven-member delegation, including Hong Son-ok of the Comfort Women and Pacific War Reparation Committee and the comfort woman Pak Yong-sim, to Seoul Sunday morning via the truce village of Panmunjom for participation in the "Asian solidarity meeting on comfort women issues."

A ministry official said, "Radio Pyongyang's report was totally unexpected and we don't know why they have made such a decision," adding the decision must be related to People's Armed Forces Minister O Chin-u's death Saturday morning.

Yun Chong-ok, representative of a South Korean association representing comfort women, Chongdaehyo, which sponsors the Asian solidarity meeting, said, "We cannot understand why North Korea has suddenly decided not to attend the meeting. We'll welcome them whenever they change their mind to attend the meeting."

Yun Mi-hyang, a staff member of Chongdaehyop, said the North Korean delegation had told Chongdaehyop Saturday evening it would deliver a keynote speech on how to resolve the comfort women issue in the meeting, adding, "North Korea's decision is quite contrary to our expectations."



Yi Mi-kyong, public relations officer of Chongdaehyop, said the Asian solidarity meeting would be held as scheduled, regardless of whether or not North Korea attends, because it is an international conference of women leaders from Asian countries, including Japan, Taiwan and the Philippines.

Naewoe Press, official North Korea watcher here, quoted the North's delegation to the Asian solidarity meeting as saying in a statement aired by Radio Pyongyang Sunday morning that the South Korean Government has no reason "to meddle in a private meeting of North and South Korea."

South Korea is entirely responsible for North Korea's decision not to attend the meeting, the statement claimed.

"The South Korean authorities, trying to influence the meeting, have complicated the issue by offering to hold liaison officers' contact at Panmunjom," it was further quoted as saying.

#### **Reason for Not Attending 'Absurd'**

*SK2602091495 Seoul KBS-1 Radio Network in Korean 0805 GMT 26 Feb 95*

[FBIS Translated Text] Regarding North Korea's notification that it will not attend the Asian solidarity conference to be held in Seoul to discuss the issue of comfort women during the war, the government officially commented on 26 February: It is very regrettable that North Korea has withdrawn its decision to visit South Korea to attend the much-awaited civilian exchange, adducing a reason that is contrary to facts.

In a spokesman's commentary, the National Unification Board [NUB] stated: North Korea's allegation that a certificate of visit had been issued instead of a memorandum of understanding on a guarantee of personal security, which is the reason for North Korea's refusal to attend the meeting, is an incorrect and absurd obduracy [sasilgwa tarun tomuniomnun okchi].

Meanwhile, our country's Measure Council for the Comfort Women Issue, the sponsor of the forthcoming Asian solidarity conference, said: It is disappointing and regrettable [sopsophago yugamsuroun il] that North Korea will not attend the conference, but the council will see to it that the conference is held as scheduled.

#### **North Delegates Visit FRG Before Kim Yong-sam**

*SK2602012195 Seoul THE KOREA TIMES in English 26 Feb 95 p 1*

[FBIS Transcribed Text] Bonn—A North Korean delegation arrived in Germany [FRG] on Friday hoping to have talks in Bonn days before a state visit by South Korean President Kim Yong-sam, the daily FRANKFURTER ALLGEMEINE ZEITUNG reported in its Saturday edition.

Communist North Korea does not have full diplomatic relations with Germany but has a representative office at the Chinese Embassy.

The paper said the officials, led by Kim Chung-yuk, the Europe specialist in North Korea's Foreign Ministry, hoped to be received in Bonn on Tuesday as part of efforts to secure diplomatic recognition from the West.

The paper also quoted Kim Yong-sam, who visits Germany from Mar. 5 to 8, as saying he believed any upgrading of German relations with North Korea would be "inadvisable."

The FRANKFURTER ALLGEMEINE said North Korea, which has refused to accept South Korean reactors as the United States insists, had indicated it would prefer a German model.

#### **'Korea' in KEDO To Become 'Korean Peninsula'**

*SK2502084895 Seoul YONHAP in English 0838 GMT 25 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—South Korean Government has decided to change the official name of KEDO (Korea Energy Development Organization) to the Korean Peninsula Energy Development Organization.

The decision came in a Cabinet Council meeting Saturday [25 February] afternoon when it passed the resolution for the agreement on establishing the organization, an international consortium that will be tasked with providing the light-water nuclear reactors to North Korea.

In this connection, a government official said that in Japan, the KEDO is often being translated into the "Chosun" Energy Development Organization. The name "Chosun" is generally used for naming North Korea in short, although it has different official name, he explained.

Under the cited problem, he disclosed, South Korea, the United States and Japan have incessantly suggested altering the organization's name whenever they held working-level meetings, adding that they decided to use the "neutral name" of the Korean peninsula in the upcoming KEDO's working-level meeting to be held in the United States early next month.

Denying the reports that the KEDO's renaming was an acceptance of North Korea's demand for "Chosun peninsula," he stated that "it was only intended to use a detailed name on geographical concept."

#### **North Links Liaison Office With Reactor Issue**

*SK2702034695 Seoul TONG-A ILBO in Korean 27 Feb 95 p 3*

[FBIS Translated Text] It was learned on 26 February that North Korea expressed a strong position that it will not allow the United States to open its liaison office in



Pyongyang before the conclusion of the supply agreement on the light-water reactor.

North Korea showed a threatening attitude in its strong rejection to the acceptance of the ROK-type light-water reactor at the light-water reactor expert-level talks with the United States held late last month in Berlin. Thus, it was learned that the ROK and the United States are taking pains to analyze North Korea's intention and to provide countermeasures.

In connection with the fact that North Korea is linking the supply agreement of the light-water reactor with the opening of the liaison offices, regardless of the fact that the opening of the liaison offices between the United States and North Korea was the desire of North Korea, the ROK and the United States are working to provide mid- to long-term measures judging that the supply agreement of the light-water reactor will become a long-term issue that will not be resolved until its deadline of 21 April.

In particular, along with the delay in the conclusion of the supply agreement of the light-water reactor, if North Korea scraps the DPRK-U.S. Geneva agreement in which it promised to freeze nuclear development, such as prohibition of nuclear reprocessing and suspension of the reloading of the five megawatt atomic reactor, it was learned that the ROK and the United States will immediately promote sanctions against the North through the UN Security Council.

It was learned, however, that even if the supply agreement on the light-water reactor is not concluded by 21 April, the ROK and the United States agreed that the light-water reactor negotiations will continue if North Korea does not break its promise to freeze nuclear development according to the DPRK-U.S. agreement.

A government official analyzed: "The reason North Korea is showing a threatening attitude by linking the supply agreement of the light-water reactor with the opening of the liaison offices is to show a defensive countermeasure against the resolute position of the ROK and the United States to make North Korea accept the ROK-type light-water reactor." He continued: "Until there is a visible loss, North Korea will use the strategy of standing on the edge of a precipice. There is a high possibility that North Korea may reject the acceptance of the ROK-type light-water reactor by October, which is the deadline for the supply of the second batch of heavy oil of 100,000 tonnes, thus heightening a tense situation." He emphasized: "However, the ROK and the United States are resolute that there is no other alternative than to accept the ROK-type light-water reactor."

#### **Seoul Asks Guaranteed Role in Reactor Design**

*SK2602075495 Seoul YONHAP in English 0748 GMT 26 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 26 (YONHAP)—The South Korean Government has asked the U.S.

Government to guarantee a South company's leading role in designing the core equipment of the light-water nuclear reactors to be provided to North Korea under the Geneva nuclear agreement with North Korea in last October.

An official said Sunday the request was made in a high-level meeting with U.S. officials in Seoul Thursday [23 February].

Noting some U.S. companies have reportedly defined the Korean standard model reactor as the one made by South Korea under a license contract with a U.S. firm, he explained, asking not to be identified, the government had raised the issue in the meeting because there is a need for the government to secure Washington's clarification of the matter.

The South Korean officials intensively explained about the current state of the country's nuclear power industry with stress on its technical level, and stressed that a South Korean company must take charge of designing core reactor equipment to play the central role in North Korea's new reactor project, he said.

The U.S. officials concurred with South Korea's view in having a South Korean company play the leading role in reactor designing.

In the second meeting on Friday, the U.S. delegation conveyed a firm U.S. position supporting the Korean standard model, saying they knew reports about some U.S. companies' definition of the Korean standard model.

The South Korean nuclear power industry is 93-percent technically self-dependent, and its design self-reliance is almost 100 percent.

But in the manufacture of such key components as turbines and generators, its technical self-reliance is about 80 percent, thus requiring technical tie-up with U.S. firms.

#### **U.S. Official on Reactor Project Delay, MAC**

*SK2502053395 Seoul YONHAP in English 0520 GMT 25 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—The target date of April 21 for the conclusion of a contract for the provision of nuclear reactors to North Korea may not be met as South Korea and the United States are sticking to their position of providing South Korean reactors to the North, which is reluctant to receive them, according to a senior U.S. official Saturday.

"April 21 is not a fixed date (for the conclusion of the contract), but a target date," said the U.S. Secretary of State for East Asian and Pacific Affairs, Winston Lord. "Let us hope we can reach an agreement with the North on the issue."



Lord still reaffirmed the Washington government's position that the North should accept South Korean nuclear plant models, saying "opposition is very clear (to any attempts to offer Pyongyang other models than South Korean ones)."

Details of a contract must be worked out between the Korea Energy Development Organization (KEDO) and North Korea so that the North will accept South Korean models, said Lord.

On the issue of opening of liaison offices between Pyongyang and Washington, Lord said, "We made some progress in talks with North Korea on the issue but we still have some problems, technical and consular questions, remaining."

Meeting reporters at Kimpo International Airport just before leaving the country after his four-day stay here, he also said that the North should remember the South-North basic agreement, calling for both Koreas to observe the Armistice Agreement.

He was responding to questions on North Korea's attempt to expel the Polish military delegation in Panmunjom.

Lord urged the North to change its position on the issue and recognize obligations under the 1992 South-North basic agreement, reminding them that the U.S. Government, Congress and members of the Neutral Nations Supervisory Commission all strongly protested the North's attempt.

"We made it clear that we will try to endorse and defend the Military Armistice Commission (MAC) and its channels and that they must be maintained," said the U.S. assistant secretary of state.

He, however, fell short of responding to questions of how the U.S. Government would react if the North actually expels the Polish military delegation, and just said, "We take the challenge very seriously. But I don't want to get into details."

Lord again stressed the need to maintain U.S. military forces in South Korea because the conventional weapons of the North still pose a great threat in the Asia Pacific region, especially the Korean peninsula, although the nuclear threat could be eliminated by the agreed framework between Pyongyang and Washington.

On whether to cancel or postpone this year's joint military exercise Team Spirit, he said that the South Korean Defense Ministry will announce in the morning its position, made in close consultation with the United States.

Lord added that Seoul and Washington agreed on a permanent extension of the Nuclear Nonproliferation Treaty.

#### Daily Discusses Results of Winston Lord's Visit

SK2602063695 Seoul CHUNGANG ILBO in Korean 26 Feb 95 p 5

[Report by Kim Song-chin: "What Is the Result of Assistant Secretary Lord's Visit to ROK"?]

[FBIS Translated Text] Winston Lord, U.S. assistant secretary of state for East Asian and Pacific affairs, and his entourage, departed the ROK on 25 February after a three-night and four-day visit.

Prompted by the acute dispute touched off recently between the ROK-U.S. side and North Korea over the issue of adopting ROK-type light-water reactors, his visit attracted a considerable degree of attention.

In particular, U.S. media reported that Assistant Secretary Lord would persuade our government to accept the so-called original equipment manufacturer method, which provides that light-water reactors will be supplied to North Korea in the name of a U.S. company while the ROK plays "the substantive central role" in construction of the reactors. As a result, even greater attention was paid to his visit.

Until now, our government had explained to the people that the ROK, the United States, and Japan agreed that "the light-water reactors to be supplied to North Korea are clearly ROK-type" and "in addition to referring to ROK standard-model reactors in the supply agreement, Ulchin Nos. 3 and 4 will be expressly stipulated." This being the case, it is quite natural for our government to be embarrassed by this U.S. report.

Moreover, our government, which has been driven into a painful position by public opinion that emphatically pointed out that our government has been alienated by the United States in the course of North Korean-U.S. nuclear negotiations, even staged an offensive, persuasive public opinion battle in the wake of Assistant Secretary Lord's visit to the ROK.

There was even a rumor that the U.S. media danced to the tune of a slanderous scheme of a certain U.S. business firm to advance into the reactor construction project in the ROK, which was frustrated.

Despite all this, our suspicions on the issue of ROK-type light-water reactors have not been completely removed, even on 25 February when Assistant Secretary Lord departed our country after holding consultations with relevant officials of our government.

In a brief meeting with reporters at Kimpo Airport on 25 February, Assistant Secretary Lord stressed that "the reactors to be supplied to North Korea will be ROK-model and there is no objection to the ROK playing the central role."

However, he declined to reveal his clear position on expressly stipulating ROK-type reactors in the agreement on the supply of light-water reactors to North



Korea. In other words, he did not say "yes" to the question on whether ROK-type reactors will be referred to in the agreement.

This suggests there are still differences between the ROK and the United States on whether ROK-model reactors will be referred to in the agreement on supplying light-water reactors to North Korea.

However, Assistant Secretary Lord gave clear, frank responses to questions on other issues discussed between the ROK and the United States, thus showing a contrast.

The content of the news conference with Assistant Secretary Lord follows:

[Unidentified reporter] Will ROK-model reactors be expressly stipulated in the supply agreement?

[Lord] The details will be discussed by the Korea Energy Development Organization. At present, the ROK, the United States, and Japan are discussing issues concerning the agreement on supplying light-water reactors.

[Reporter] North Korea is rejecting North-South dialogue. What is your opinion on this?

[Lord] North-South dialogue is an essential element for implementing the North Korean-U.S. nuclear agreement. Only when the agreement is implemented, can improvement in North Korean-U.S. relations be possible.

[Reporter] What is the timing of opening U.S. and North Korean liaison offices and what is the reason for the delay?

[Lord] There are some technical and consular problems to be solved, and for this, we need time to a certain extent.

#### **Spokesman: Report on U.S. Rice 'Groundless'**

*SK2502070795 Seoul YONHAP in English 0555 GMT 25 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—South Korea has yet to decide on when and how to allow access of foreign rice and agricultural products to the domestic market under the World Trade Organization (WTO) regulations, a Foreign Ministry spokesman said Saturday.

Dismissing as groundless the press report that two working-level officials of the United States Trade Representative (USTR) and the U.S. Department of Agriculture called on South Korea to import 50,000 tons of American rice when they visited Seoul on Feb. 13, the spokesman said that they are in no position to demand the Seoul government purchase American rice because the issue has nothing to do with the scope of their jobs.

Suzan Troje, section chief of the USTR Technical Barriers to Trade (TBT), and Stockard, working-level official in charge of Korean affairs at the U.S. Department

of Agriculture, met with Foreign Ministry officials on ways to eliminate technical barriers to trade, implementation of the WTO regulations on specifying origins of agricultural products and a variety of sanitary issues in trade in agricultural products, said the spokesman.

Christina Lund, director general of the USTR's Korean Affairs Bureau, will come to Seoul Monday [27 February] for high-level talks on bilateral trade issues and Troje and Stockard had visited Seoul last week for a preparatory meeting for the high-level trade talks next week, said ministry officials.

#### **Official Cited on USTR Delegation Session**

*SK2702120495 Seoul YONHAP in English 1138 GMT 27 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 27 (YONHAP)—The United States seemed to have sympathy with South Korea's plans to revise a bilateral accord toward imposing restrictions on advertising activities of American cigarette firms in the country, according to a senior Foreign Ministry official Monday.

"The atmosphere was that the U.S. side was acknowledging the need for South Korea to revise the accord on the sales of American cigarettes in the country so the country could restrict advertising activities of the American cigarette firms," said Chang Ki-ho, director general of the ministry's International Trade Bureau.

After an informal consultation session with a U.S. trade delegation led by Christina Lund, director general of the United States Trade Representatives (USTR), Chang said that the United States also favorably commented on the South Korean Government's efforts to protect intellectual property rights.

The U.S. side, however, demanded that South Korea abolish non-tariff trade barriers to a variety of import items including beef, food, telecommunications and medical equipment.

During the first day of five-day informal consultations between trade officials of South Korea and the United States, the Seoul side repeated its position that the government will follow the schedule recently announced by the Ministry of Health and Welfare where under private firms will be gradually allowed to set the shelf lives of beef and other foods by 1998, according to Chang.

Other issues discussed during the meeting included the U.S. demand that South Korea facilitate approval procedures for new AT&T telecommunications equipment and shorten the period for customs clearance for U.S. medical equipment which, the U.S. side said, amounted to non-tariff trade barriers.

The USTR's Lund who arrived in Seoul Sunday for a five-day tour here will visit the Ministries of Health and Welfare; Information and Communications; and Agriculture, Forestry and Fisheries, and the Prosecution in



four days and meet with Chang Saturday morning to sum up her discussions here, said ministry officials.

They added that the meetings with Lund would not lead to any concrete results because they are informal discussions, though they could have a grave bearing on the formal trade talks slated for early April.

### **Tokyo, Seoul Agree To Promote Military Exchange**

*OW2502131595 Tokyo KYODO in English 1245 GMT 25 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 25 KYODO—Top military officials of Japan and South Korea have agreed to promote exchanges and conclude a pact to avoid accidents involving warplanes, Japan's top uniformed officer said Saturday [25 February].

Gen. Tetsuya Nishimoto, chairman of the Joint Staff Council of the Self-Defense Forces, told a news conference here the same day the agreement was reached in meetings with Korean military leaders.

Nishimoto, on a tour of China and South Korea, met with South Korean Defense Minister Yi Yang-ho and military officials led by Kim Tong-chin, chairman of the Joint Chiefs of Staff.

Nishimoto said he and the South Korean military leaders agreed to sign a pact in March or April to help prevent collisions between Japanese and Korean warplanes.

Both sides also agreed to lay the foundation for the promotion of mutual understanding and trust through exchanges between working-level officials.

Under the exchange program, he said a training fleet of Japan's Maritime Self-Defense Force will make port calls in South Korea while Kim Tong-chin will visit Japan.

Nishimoto visited the truce village of Panmunjom and the central front line along the Demilitarized Zone between South and North Korea Friday.

In Beijing, he conferred with Chinese Defense Minister Chi Haotian to promote military relations between the two countries.

Nishimoto is scheduled to return to Tokyo Sunday.

### **Assets of Baring Securities' Seoul Branch Frozen**

*SK2702023795 Seoul YONHAP in English 0216 GMT 27 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 27 (YONHAP)—The South Korean Government Monday froze the properties of the Seoul branch of the Baring Securities Co. of Britain, following the reported bankruptcy of its head company in London.

A government source said the Finance and Economy Ministry had the Securities Supervisory Board take a series of measures against the Seoul branch of the British Securities Co.

The steps include the freezing of its assets, suspension of business and the prohibition of overseas diversion of its assets in the country, the source said.

Foreign press reports said that Baring Brothers and Co. in London had gone broke when a trader lost more than 500 million British pounds.

The source said the action taken against Baring's Seoul branch, in accordance with the Securities Transactions Law, will remain enforced until the business conditions of Baring Brothers improve.

"However, players may withdraw their deposits, etc. from the Seoul office," he said.

Baring's Seoul branch, set up in November 1991 with a capital paid entirely by Baring Brothers, had assets of 29.6 billion won as of the end of last year.

Its players' deposits reached 2 billion won and operational funds 10 billion won with the current term net profits amounting to 2.94 billion won.

The branch's business in South Korea was one of the largest in volume among all the branches of foreign securities firms in Korea.

It dealt with securities worth 1,743.3 billion during the period from last April to December, accounting for 19.4 percent of the total handled by foreign securities companies' branches in Korea.

The investment made by Baring Securities in domestic stocks totaled 250 million U.S. dollars (194 billion won).

Since the assets situation of Baring Securities is relatively good, seven to eight persons are known to be trying to take over the insolvent firm in London, said the source, adding a successful bidder is expected to be determined within the week.

### **NSP Director Vows To Prevent 'Misunderstanding'**

*SK2302115095 Seoul YONHAP in English 1042 GMT 23 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 23 (YONHAP)—Kwon Yong-hae, director of the Agency for National Security Planning (NSP), said on Thursday [23 February] he would make the scope of NSP functions clearer so as to prevent any public misunderstanding about his agency duties.

"We will resolutely refix NSP functions if only to remove any room for the misunderstanding that the NSP is meddling in politics," Kwon said.

Testifying at the National Assembly Intelligence Committee, Kwon said that at the instructions of President



Kim Yong-sam, his agency is working on multi-pronged steps to prevent the recurrence of a controversy with regard to NSP duties.

Explaining about the background in which the NSP instructed its local branches to look into public opinions on the issue of possible postponement of local elections, Kwon said the instructions were designed purely to look into what the people think of a possible election postponement.

Saying there was no ulterior motive, Kwon, however, offered an apology over the existence in the written instructions of a clause that might cause misgivings about the government intent of holding local elections as scheduled.

Meanwhile, Chong Hyong-kun, first deputy NSP head, on Thursday offered to resign from the NSP in connection with the controversy, a source said.

Last November Chong was an NSP director-general in charge of a bureau where the instructions were initiated.

The recent disclosure of the confidential instructions by an opposition leader has set off heated controversies in the political circles, leading to the sacking of Deputy Premier Kim Tok who was the NSP director at the time the instructions were handed down last November.

#### **President Kim Vows: Local Elections as Planned**

*SK2502051795 Seoul YONHAP in English 0508 GMT 25 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—President Kim Yong-sam said Saturday that the four major local elections will be held on June 27, without fail, as planned.

In a press conference held at the Chunchukwan Hall of Chongwadae [presidential offices] on the occasion of the second anniversary of his inauguration, President Kim said, however, that he believes that even the participation of political parties in basic local elections is still an issue that needs to be considered.

"For complete autonomy by the local populace, we have to contemplate if it is right for political parties even to take part in basic local autonomy body elections," Kim said.

The presidential remarks are taken to mean that the government would go ahead with local elections as planned but believes that political parties should be kept from nominating candidates for the elected officials of basic autonomy bodies, namely, county commissioners and small city mayors, as well as the members of their councils.

On the controversial issue of whether to reorganize local administrative organizations before the coming local

elections, President Kim said he feels if there is something to change, it is the National Assembly's responsibility.

"I'm not saying this or that over what the National Assembly is working on," Kim said. "But, it is desirable for the Assembly to change it (before the elections) if there is something to change," he said.

Predicting that once the local elections are over, various problems, such as regionalism, would pop up, the president advised political circles to discuss steps to forestall such problems.

"It is an illusion to believe all things will go smoothly when the local autonomy system is implemented," he said.

On the idea of keeping political parties away from basic autonomy body elections, Kim said that if parties are allowed to nominate candidates, it would cost the government a lot in taxpayers' money.

"Besides, the issue would arise of whether local autonomy heads, when affiliated with political parties, can properly carry out their duties and satisfactorily represent the will of local people," he said.

President Kim said that if the local autonomy system is to be properly enforced, the existing local administrative organization from the days of the Japanese rule must be drastically reformed.

But, he said, it would be quite difficult to perform a sweeping "surgery" before the coming elections.

President Kim also vowed that changes and reforms will be made continuously throughout his term of office. "We have to carry on reforms if only to proudly hand down to our posterity a Korea at the center of the world," he said.

To accomplish the on-going globalization drive, Kim said, there needs to be various reformative measures in addition to educational and judicial reforms.

The president accented his determination to hold the local elections as scheduled by saying, "At their appointments, I told the new prime minister and the new home and justice ministers to prepare for the local elections on schedule as the government would stage them as planned under all circumstances."

He said it would be good for political circles to study the possible administrative division of Seoul. "But, I think it would be difficult to do that before the coming local elections in view of the limited time left."

Turning to inter-Korean issues, President Kim said he believes time is on "our side," adding, however, that nobody can make an accurate prediction of such a change.

Kim said there is no disaccord between South Korea and the United States on the fact that the light-water reactors



to be supplied to North Korea should be a South Korean model, that South Korean technicians should build the reactors and that the South should take a leading role in the project.

On the issue of business conglomerates, the president said it is wrong for business conglomerates to expand their business realms at the cost of small industries.

"Business groups should specialize their business lines and thereby help keep small industries alive," President Kim said.

**President Marks 2d Anniversary of Inauguration**

*SK2502014895 Seoul YONHAP in English 0129 GMT 25 Feb 95*

[FBIS Transcribed Text] Seoul, Feb. 25 (YONHAP)—"I think the remaining three years of my term are particularly important and I will do my best in regard to these sentiments as I embark on my three-year term presidency today," President Kim Yong-sam said Saturday.

Kim who took office exactly two years ago Saturday made the remarks at a Chongwadae [presidential offices] breakfast meeting with all the cabinet members, key functionaries of the ruling Democratic Liberal Party and senior Chongwadae secretaries.

The president stated that he believed the changes and reforms so quickly executed in the past two years under his reign has seldom been matched, according to Chongwadae spokesman Yun Yo-chun.

President Kim also said he feels heavyhearted as he is leaving the country on an overseas tour when the people are suffering from a persistent drought.

He ordered relevant ministers to carry on with the planned counter-drought programs on schedule to minimize people's pain and suffering.

The president further advised the attendees to take care of state affairs in concert and in particular to take full steps to forestall any large-scale incident during his absence.



**Burma****Reportage on Vietnam Defense Minister's Visit****Delegation Arrives 23 Feb**

*BK2402033895 Rangoon Radio Myanmar in Burmese  
0130 GMT 24 Feb 95*

[FBIS Translated Text] General Doan Khue, minister of defense of the Socialist Republic of Vietnam, his wife, and delegation, arrived in Myanmar yesterday evening by air for a goodwill visit at the invitation of Brigadier General Lun Maung, minister of the Office of the Prime Minister of the Government of the Union of Myanmar [Burma].

The SRV defense minister and his delegation were welcomed at the Yangon [Rangoon] Airport by Brig. Gen. Lun Maung, minister of the Office of the Prime Minister, and his wife; Mr. Tran Viet Tan, Vietnamese ambassador; and responsible officials from the Office of the Prime Minister, the Ministry of Foreign Affairs, and the Vietnamese Embassy in Yangon.

**Than Shwe Receives Group**

*BK2502081195 Rangoon Radio Myanmar in Burmese  
1330 GMT 24 Feb 95*

[FBIS Translated Text] Senior General Than Shwe, chairman of the State Law and Order Restoration Council [SLORC] and commander in chief of the Defense Services of the Union of Myanmar [Burma], received General Doan Khue, defense minister of the Socialist Republic of Vietnam, and party—who are currently in Yangon [Rangoon]—at the Ministry of Defense's Dagon House at 1030 today.

Joining Sr. Gen. Than Shwe at the meeting were General Maung Aye, vice chairman of the SLORC, deputy commander in chief of the Defense Services, and commander in chief of the Army; Lieutenant General Khin Nyunt, secretary-1 of the SLORC; Brigadier General Lun Maung, minister of the Prime Minister's Office; U Ohn Gyaw, minister of foreign affairs; and Thura U Aung Htet, director general of the Protocol Department; while the visiting delegation was accompanied by Mr. Tran Viet Tan, Vietnamese ambassador to the Union of Myanmar.

**Group Visits NTCH**

*BK2502091495 Rangoon Radio Myanmar in Burmese  
1330 GMT 24 Feb 95*

[FBIS Translated Text] General Doan Khue, defense minister of the Socialist Republic of Vietnam, and his party—who are currently in Yangon [Rangoon]—were accompanied by Vice Admiral Than Nyunt, commander in chief of the Navy; Brigadier General Lun Maung, minister of the Prime Minister's Office; Rear Admiral Tin Aye, chief of staff the Navy; Major General Tin Ngwe, chief of staff the Air Force; Commodore Khin

Soe, commander of the Irrawaddy Naval Region Command Headquarters; Mr. Tran Viet Tan, Vietnamese ambassador to the Union of Myanmar [Burma]; Naval Captain Myint Swe, captain of the General Staff; and high-ranking naval officers as they left Nanthida Jetty for the Naval Training Command Headquarters [NTCH] by Yadanabon warship at 1115 today.

On board the ship, Vice Adm. Than Nyunt hosted a luncheon in honor of Gen. Doan Khue, the visiting SRV defense minister, and his party. Next, Gen. Doan Khue and his party arrived at the NTCH's Seikkan Bridge at 1245 and were welcomed by Naval Captain Tin U, commander of the NTCH, and high-ranking officers. At his office, Capt. Tin U briefed the visitors on the organization and functions of the NTCH and explained the duties, responsibilities, and activities of the naval headquarters and subordinate units with the assistance of video. Afterward, Capt. Tin U presented the NTCH insignia to the SRV defense minister. The visiting defense minister also presented a gift to Capt Tin U and signed the visitors' book. Then the visiting minister and his party inspected the sending and receiving of information and later took a group photograph.

The visiting minister and his party left the NTCH at 1400. It has been learned that Vice Adm. Than Nyunt, commander in chief of the Navy, presented souvenirs to the visiting minister and his party on board the ship.

**SLORC Delegation's Thai Visit Reported****Departs 23 Feb**

*BK2402043895 Rangoon Radio Myanmar in Burmese  
1330 GMT 23 Feb 95*

[FBIS Translated Text] General Maung Aye, vice chairman of the State Law and Order Restoration Council [SLORC], deputy commander in chief of the Defense Services, and Army commander in chief, sent off a high-level Defense Services goodwill delegation led by Lieutenant General Tin U, SLORC secretary-2 and Army chief of staff, at the Mingaladon Air Force Base at 0625 today. The delegation will be visiting Thailand at the invitation of the commander in chief of the Royal Thai Army.

The delegation includes Lt. Gen. Maung Hla, SLORC member and military appointments general, and 13 other members.

**Returns 26 Feb**

*BK2602150895 Rangoon Radio Myanmar in Burmese  
1330 GMT 26 Feb 95*

[FBIS Translated Text] At the Mingaladon Air Force Base this evening, General Maung Aye, vice chairman of the State Law and Order Restoration Council [SLORC], deputy commander in chief of the Defense Services, and commander in chief of the Army welcomed a high-level military goodwill delegation led by Lieutenant General



Tin U, secretary-2 of the SLORC and chief of staff of the Army, that returned to Yangon [Rangoon] aboard a Defense Services aircraft after paying a goodwill visit to Thailand at the invitation of the commander in chief of the Royal Thai Army.

Joining Gen. Maung Aye were Vice Admiral Maung Maung Khin and Lt. Gen. Tin Tun, deputy prime ministers; Lt. Gen. Thein Win, commander in chief of the Air Force; Quartermaster General Lt. Gen. Min Thein; Lt. Gen. Myo Nyunt, commander of the Rangoon Military Command; Rear Adm. Tin Aye, chief of staff of the Navy; Brigadier Gen. Than Oo, military judge advocate general; Brig. Gen. Than Tun, joint adjutant general; Brig. Gen. Lun Maung, minister of the Prime Minister's Office; Foreign Minister U Ohn Gyaw; responsible personnel; and family members.

The members of the high-level military goodwill delegation that returned from Thailand today included Lt. Gen. Mauug Hla, member of the SLORC and military appointments general, and 13 delegates.

#### **Sein Win: Manerplaw's Fall Not 'Big Problem'**

*OW2302112795 Tokyo KYODO in English 1037 GMT 23 Feb 95*

[FBIS Transcribed Text] Geneva, Feb. 23 KYODO—The leader of Myanmar's [Burma] "parallel government" said Wednesday [22 February] the fall of its base in Manerplaw near the border with Thailand is not a big problem.

Sein Win, head of the National Coalition Government of the Union of Burma (NCGUB), told KYODO NEWS SERVICE, "after the fall of Manerplaw we have to adopt and adjust," but added it would not affect the military situation.

In late January, Myanmar Government troops took over Manerplaw, the headquarters of the Karen Forces battling the nonelected military junta which runs the country.

Opposition leader Aung San Suu Kyi's National League for Democracy (NLD) won a landslide victory in the 1990 general election but the junta refused to acknowledge the result. Several of the elected candidates to the National Assembly fled to Manerplaw and established the NCGUB, picking Sein Win as its prime minister.

"We can easily make contact" with other ethnic and rebel groups despite the fall of Manerplaw, he said. "It is no problem."

Sein Win, a cousin of Suu Kyi, was visiting Geneva to attend a meeting of the United Nations Commission of Human Rights.

He called on the Japanese Government to continue refraining from offering development assistance to the

military government and to "be very careful" in offering humanitarian aid because it could be used for military purposes.

He also said investment in Myanmar by Japanese companies is not welcomed, because "all kinds of projects" by the junta lead to "forced labor and relocation."

The parallel government will lobby the UN Security Council to implement an arms embargo and economic sanctions against the junta in order to promote democratization of the country, according to Sein Win and his aides.

"The United Nations should not forget about Burma," he said. "The human rights situation is awful. It is not improving."

#### **Sein Win Interviewed on Post-Manerplaw Strategy**

*BK2502145995 London BBC in Burmese to Burma 1345 GMT 24 Feb 95*

[Telephone interview with U Sein Win, prime minister of the National Coalition Government of the Union of Burma, by correspondent Tin Htar Swe; places, date not given—recorded; passages in italics published in English]

[FBIS Translated Text] [Swe] Dear Listeners: The Manerplaw camp, the former headquarters of the KNU, the Karen National Union, that was captured by Burmese troops during their offensives, was also the base for groups opposing the Burmese Government since the 1988 uprising. Now that the Burmese Army has taken the Manerplaw camp, I asked Dr. Sein Win, prime minister of the National Coalition Government of the Union of Burma [NCGUB], about the stance of the Manerplaw-based NCGUB, which was founded by the representatives elected in the 1990 election. U Sein Win replied:

[Win] The NCGUB's stance and activities will remain the same. We had to evacuate our headquarters, so we have to make some *adjustments* to continue our activities, but this is not a big problem and we can overcome it. Our work will continue without interruption. That is why our NCGUB will remain the same. We always keep in contact with the KNU and members of the DAB [Democratic Alliance of Burma].

[Swe] Yes, according to you the NCGUB's stance remains the same, but what are your future plans and how are you going to continue your activities?

[Win] Previously, we asked the international community in Geneva to take action against the SLORC [State Law and Order Restoration Council] for its human rights violations. We will continue this work. Another thing I would like to mention is that we have to make preparations (?and give explanations) about the fall of Manerplaw, but this is not a big issue. Another thing is that the SLORC military clique also has a lot of problems. It will



face an economic crisis and it is now facing social and political crises. The SLORC will never be able to resolve these crises through military means.

[Swe] According to you the SLORC will face various crises, but there are many companies investing in Burma. Even the [name indistinct] Corporation from (?Japan) has plans to invest in Burma. Even though there are crises, as you have just mentioned, some countries are supporting the SLORC economically. So do you not think the SLORC's position will become even stronger?

[Win] What I was trying to say is that these companies are investing there, but in reality the rich get richer and the poor get poorer. Civil servants cannot even make ends meet and we have learned that the living and social standards of the majority of people are below the 1988 level. How long are we going to stand for these lopsided businesses? The country has a social problem. Moreover, there is a problem concerning *refugees* as well as *illegal immigrants* who are crossing the border. These people would have no reason to leave Burma if the economy is good. Educated people are also leaving the country and educated Burmese abroad are not coming back. We think these problems would not emerge if conditions in Burma were good and the future was going to be pleasant there.

[Swe] You said the SLORC's projects and undertakings are out of line. Suppose the NCGUB was in the SLORC's shoes. How would the NCGUB handle these lopsided businesses?

[Win] Politics is the basic reason for this lopsidedness. The SLORC monopolizes politics. Moreover, it also monopolizes the economy. As everyone knows, the military has engaged in *joint cooperation* as before. It only allows the people to operate small businesses. When it comes to big businesses, Myanmar [Burma] Economic Holdings, which is managed by the Ministry of Defense, handles it. There will be lopsided businesses as long as the SLORC continues to practice monopoly. These businesses have to be corrected.

The SLORC must also allow the people to participate in politics. Only then will the country prosper and the people become happy. When people are happy they can work; they can see opportunities and take advantage of them. There is no law and order in Burma now. You may be a homeowner today but you may have nothing tomorrow. Suppose the SLORC decides to expand the road. It will just tear your house down and you will get no compensation at all. The most important things are [word indistinct], the prevalence of law and order, popular participation in politics, and democratic rights. These are important things. After that, we have to work for the economy by using the advice of experts and consulting with them. We think these are things that have to be done for the country.

[Swe] The SLORC is annihilating all of the opposition. Does the NCGUB have any chance of implementing the plans you have just mentioned?

[Win] As I have just said. In the meantime, the SLORC is still stubborn. It has not continued the talks with Daw Aung San Suu Kyi; the talks were not cordial and fair as demanded by Daw Aung San Suu Kyi. Moreover, the SLORC is solving the ethnic problems through military tactics and not by political means. If things go on like this then the reality will be far from our expectations. The problems in Burma may not be resolved.

### SLORC Accused of 'Massive' Rights Abuses

BK2502135895 Bangkok BANGKOK POST in English  
25 Feb 95 p 6

[FBIS Transcribed Text] The Karen National Union [KNU] has charged the State Law and Order Restoration Council (SLORC) with committing massive human rights abuses in the gas pipeline project area.

The SLORC recently signed an agreement with the Thai Government for the sale of gas from Burma's off-shore Yadana field to Thailand.

The project involves the construction of a 400 km pipeline by two foreign companies Unocal of the US and Total of France.

In a statement released by the KNU's Foreign Affairs Department concerning the gas pipeline, the KNU stated that the SLORC has planned to extract natural gas from the huge reserves in the Andaman Sea and sell it to Thailand since early 1990.

The project has resulted in massive human rights abuses, forced labour on the construction of the related Ye-Tavoy railway and the forced relocation of many villages.

The KNU's statement came out to counter representatives of Unocal and the SLORC, saying that human rights abuses and SLORC military action in the Mergui-Tavoy area and the consequent movement of refugees fleeing to Thailand were the result of threats to the pipeline project by Mon and Karen rebels.

The KNU claimed the human rights abuses by the SLORC military and the forced re-location of the civilian population dated back to early 1991, when the original plan for the pipeline was changed from a route through Three Pagodas Pass to a more southerly route emerging in Thailand at Nat In Taung (Bang I Tong) near Thong Pha Phum District, Kanchanaburi Province.

By early 1991, as SLORC troops stepped up military activities along the pipeline route, Karen village leaders were ordered to relocate their villages to non-Karen areas.

Karen villages were then deserted, their populations either leaving their land to go to new places or fleeing to Thailand to become refugees, said the KNU statement.

In late 1991, SLORC troops occupied one of the KNU Mergui-Tavoy District Township offices at Nat In



Tuang. Following this, the migration of refugees to the border has steadily increased as villagers felt insecure and dispossessed of their land and gardens.

Since 1991, the SLORC's troop build-up has been relentless. Early last year it had 21 infantry and light infantry battalions, four artillery units and an airforce squad in the district, compared with only five battalions in 1990.

The time leading up to the final signing of the gas contract between the SLORC, Unocal, Total and PTT [Petroleum Authority of Thailand] (Thailand) has seen the offensive assume new proportions with the unfolding of "Operation Nat Min" (Spirit King), the objective of which is the total destruction of rebel forces in the area and the securing of the pipeline against attack, said the KNU.

The operation is scheduled to run from December last year until July this year.

By late last year, SLORC troops of the 25th Battalion had advanced close to the Tenasserim river, resulting in 1,400 people fleeing across the border to Thailand at Bongti, near Kanchanaburi Province.

At present, 1,600 people have been evacuated from four villages along the Tenasserim river to camp in makeshift shelters near the Thai border, said the KNU.

"These people have not simply been displaced by threats against the pipeline by rebel forces, but because of a consistent policy by the illegal SLORC regime to clear the entire area of Karen and Mon people and to establish a wide security zone parallel to the pipeline," the statement said.

The KNU and the KNU's Mergui-Tavoy District said they were not opposed to the pipeline, but to any business venture that would strengthen the SLORC's illegal hold on power.

#### **Ceremony Held for New Rangoon-Dacca Flight**

*BK2302085295 Rangoon Radio Myanmar in Burmese 1330 GMT 22 Feb 95*

[FBIS Translated Text] A ceremony to inaugurate the new Yangon [Rangoon]-Dacca-Yangon flight route and to mark the commencement of the flight of Myanmar Airways International [MAI]—which is a joint venture with Myanmar Airways of the Transportation Ministry, was held this morning at the Yangon International Airport [YIA].

A news conference on the commencement of the Yangon-Dacca-Yangon flight was held at the MAI lounge at YIA at 0700. Transport Minister Lieutenant General Thein Win cut the ribbon and inaugurated the new flight.

## **Brunei, Malaysia & Singapore**

### **Malaysia**

#### **Minister Rejects U.S. Proposal on Free Trade**

*BK2502130395 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 25 Feb 95*

[FBIS Translated Text] Malaysia will not accept the U.S. proposal calling on APEC [Asia Pacific Economic Cooperation] members to set 2020 as the target year for the free trade plan. Speaking in Kepala Batas, Foreign Minister Datuk Abdullah Ahmad Badawi said Malaysia believes it will not commit itself to the U.S. proposal. He was commenting on remarks made two days ago by Sandra Kristoff, U.S. coordinator for APEC, to the effect that the United States wants APEC members to set 2020 as the target year for the free trade plan.

#### **Market 'Unlikely To Suffer' From Bank Crisis**

*BK2702103295 Kuala Lumpur Voice of Malaysia in English 0810 GMT 27 Feb 95*

[Station commentary]

[FBIS Transcribed Text] Malaysia's stock market is unlikely to suffer from the crisis of British merchant bank Barings PLC [Public Limited Company] although a plunge in many overseas bourses could lead to a chain reaction in Kuala Lumpur. Fundamentally, it should not affect the Malaysian market; there may be some [words indistinct] if the foreign markets drop, but it will not go down too low.

This followed a single Barings Securities derivatives trader in Singapore had made investments that lost the bank more than 400 million sterling, which is more than the entire bank's net worth. The threatened collapse of Britain's oldest bank could send shockwaves to the world's financial markets. It is seen as another blow to Britain, which will further damage an already ailing pound. The first effects of the crisis are expected to crop in the Far East, where market experts in Tokyo thought that Japan's top market could plummet. A Bank of England crisis team is working desperately in efforts to rescue the Barings Bank.

The only true aftereffect would come from transactions involving Malaysian stocks traded in Singapore which are not honored. Barings Securities has a seat on the Singapore Stock Exchange, which apart from Singapore's stock also trades in Malaysian shares on its over the counter, OTC, market. What they should do now is try to honor the outstanding contract. Although known for being a major player in the region, the size of its investment in Malaysia is not actually huge. It may not be that big. Even the Bank of England covered together a rescue package for Barings, the blow to confidence in the banking sector was likely to send the London stock market and the pound down.



Whatever happens, it is just one more negative for sterling as it is expected to make all time low today. However, many financial experts doubted there would be a lasting impact, but clearly if there is a negative tone to equities and sterling, then this will reinforce that. Overseas investors may worry that this sign of fragility in the banking sector could discourage British central bank from tightening monetary policy again soon.

The pound, which on Friday in New York came to an all time low of 2.3147 marks, has already been undermined by Prime Minister John Major's hold over an already unpopular conservative government. Legislators at parliamentary debate will vote on Wednesday over European policy. He has taken the unusual step of saying he will participate even though the debate has been called by the opposition. It is a high-risk strategy (?thanks to anti-European) rebels in his ruling party.

#### **Analysts View Barings Losses, Derivatives**

*BK2702094295 Hong Kong AFP in English 0928 GMT 27 Feb 95*

[FBIS Transcribed Text] Kuala Lumpur, Feb 27 (AFP)—British merchant bank Barings fatal losses have highlighted the many pitfalls of derivatives trading and could cast a shadow over the future of futures, analysts said Monday.

There was fresh concern in Malaysia, which is soon to launch two futures exchanges to trade in derivatives, and the Tokyo Stock Exchange announced it would increase scrutiny of securities transactions as analysts across the region called for tighter regulation of futures trade and traders.

Kuala Lumpur analysts said the activities of the single dealer in Singapore who lost more than one billion dollars gambling on derivatives, reportedly Nikkei stock futures in Singapore and Osaka, highlighted the need for close monitoring of the Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) and the Kuala Lumpur Futures Market (KLFM).

They said that coming after last year's Orange County crisis in the United States, also attributed to the activities of one official, and other cases closer to home, the Barings crisis highlighted the need to safeguard investors.

Malaysia's Securities Commission is "(?working) very closely" with the two exchanges to set out guidelines for their derivatives activities, according to the commission's corporate affairs manager Badariah Ismail.

Derivatives undertaken by banks would be under the jurisdiction of the central bank, Bank Negara.

KLOFFE, a private outfit, is to start this year with trading in index futures and stock options. The KLFM, set up by the government-controlled Kuala Lumpur Commodity Exchange, is to take on interest rates and currency futures.

Analysts said Barings' debacle, coming two months after Malaysian-listed Berjaya Group's disputed loss-making swap deal, underscored the need for stringent rules and limit restrictions on derivative trading in Malaysia.

Internal controls of banks should also be tightened, they said.

Public Bank Bhd. [Limited] Malaysia's third largest bank, is suing Berjaya and Credit Suisse, after Berjaya on December 29 said it was taking action to nullify an interest-rate swap deal that had landed it with a 14-million-dollar loss.

Berjaya said the deal was undertaken unauthorised by two executives, who have been suspended.

"The potential threat arises from lack of understanding in the intricacies of derivative-trading, and that will hamper companies and regulators to keep a close monitor on such deals," said Tan Teng Boo, chief executive of Capital Dynamics, a local investment consultancy firm.

"It is not surprising that some traders dealing in derivative deals may not comprehend the full risks of doing them," said Tan. "It appears that something went wrong with the controls on both sides, as such massive losses could not have occurred overnight," said Tan, commenting on Barings' downfall.

The Tokyo Stock Exchange said it was stepping up scrutiny of all securities transactions, including derivatives, after Barings' losses.

"Under situations like this, the exchange today decided to conduct transaction management in more detail to maintain the price-forming functions of the market," exchange president Mitsuhide Yamaguchi said in a statement to announce the suspension of Barings Securities (Japan) Ltd.

The suspension was the first time a member has been halted from trading in Japan since 1958.

"As for investors, we strongly request you to monitor developments calmly and act with more prudent investment decisions," the president said.

"Also, for members, we request you to act prudently and appropriately in soliciting investments and taking charge of transaction orders," he said.

In Jakarta, Eric Louis, head of the Indonesian operation for the brokerage W.I. Carr, an offshoot of Indosuez, said the Barings showed that "the regulations must not be a lot stricter over accounting for derivative products—futures and options."

"The rules have to be as strict as they are for the private banking sector," he said. Louis suggested fixing a minimum capital ratio for institutions to cover potential losses in derivative dealing.



The Australian Securities Commission (ASC) said it wanted to start a voluntary disclosure code for derivatives held by non-bank entities to avoid repeats of the Barings' collapse.

The ASC has been working with the Australian Society of Corporate Treasurers and Institute of Company Directors on disclosures, it said.

"In the absence of specific reporting requirements, it is difficult for directors to determine the level of disclosure required." It said there might be some corporations with significant derivatives exposure which is not properly disclosed and the market not fully informed.

### Singapore

#### Stock Exchange Says Barings Securities 'Sound'

*BK2702120095 Singapore Radio Corporation of Singapore in English 1100 GMT 27 Feb 95*

[FBIS Transcribed Text] The Stock Exchange of Singapore [SES] says preliminary assessment of Barings Securities of Singapore shows that the bank's financial position is sound. The SES assured investors the merchant bank will be able to honor all outstanding contracts.

Earlier, Singapore's International Monetary Exchange suspended Barings from trading. The Nikkei 225 futures, however, will still be traded but with tougher margins.

#### Reconstruction of Barings Failure Begins

*BK2702103995 Hong Kong AFP in English 1005 GMT 27 Feb 95*

[Report by P. Parameswaran]

[FBIS Transcribed Text] Singapore, Feb 27 (AFP)—Singapore has launched investigations into a mammoth derivatives scandal here that brought down Britain's oldest merchant bank and exposed flaws in the city-state's trading surveillance, officials said Monday.

"What everyone is asking is: how come this whole thing originated from Singapore where the regulatory system is said to be near-flawless," a foreign banker, who preferred anonymity, asked.

The banker said that the failed multi-million-dollar transactions in derivatives of Barings Futures (Singapore) Pte. Ltd. exposed the absence of a tight market surveillance at the Singapore International Monetary Exchange (SIMEX).

Rudolf Flury, the executive director of the Swiss Bank Corp.'s Singapore branch, said his bank, along with other financial institutions, was "evaluating the situation."

"Until the full effects upon the market are known it would be inappropriate to comment further. I feel it is certainly less tense than earlier today," Flury told AFP.

Barings' losses were essentially sustained by one person—the 28-year-old head of Barings Futures Singapore, Nick Leeson, who reportedly has fled to Thailand—on a series of disastrous trades conducted on SIMEX and the Osaka Futures Exchange.

The losses were in derivatives deals related to the Nikkei 225—a simple average of 225 component index stocks.

Derivatives are products which derive their values on underlying securities, including shares and index futures, interest-rate swaps and options.

SIMEX said in a statement on Monday that it had suspended Barings Futures following an announcement by the Bank of England that Barings cannot continue trading and was applying for administration, a SIMEX official said.

But it did not explain why the deals by Barings, a leading player on the Nikkei contract on the SIMEX, went sour—nor was there any explanation from the Singapore government on the fiasco. The Bank of England said Sunday that the losses were caused by "massive, unauthorised dealings."

"We cannot comment on this," a senior Trade and Industry Ministry official told reporters at a media briefing Monday on Singapore's economy ahead of the national budget to be tabled on Wednesday.

Sources said that the Monetary Authority of Singapore (MAS)—the de-facto central bank—SIMEX and the Stock Exchange of Singapore (SES) had begun interviewing officials of Barings in Singapore and several other officials who flew in here from London early Sunday.

"We will fully cooperate with the Singapore authorities," said an official of Barings in Singapore which was receiving a deluge of telephone calls from international banks and stock broking firms over financial arrangements.

News reports said Barings would be reporting the matter to the Singapore Police Commercial Affairs Department for possible criminal investigation. Police officials declined comment.

Executives of Barings worked overnight from Sunday, sifting through files and interviewing staff over the deals undertaken by Leeson, Barings staff said.

Leeson may have bought between 15,000 and 40,000 Nikkei contracts worth 120,000 pounds each on SIMEX and the Osaka Securities Exchange, the Business Times daily said Monday.

#### Officials Suspend Barings From Monetary Exchange

*BK2702034495 Hong Kong AFP in English 0328 GMT 27 Feb 95*

[FBIS Transcribed Text] SINGAPORE, Feb 27 (AFP)—Barings Futures (Singapore) Pte. Ltd., whose failed



transactions in derivatives triggered the collapse of Britain's Barings Bank, was Monday suspended from trading on the Singapore International Monetary Exchange (SIMEX), officials said.

The decision to suspend Barings Futures followed an announcement by the Bank of England that Barings cannot continue trading and was applying for administration, a SIMEX official said.

"The Clearing House is obliged to recognise that Barings Futures (Singapore) Pte. Ltd. is and will be insolvent and accordingly deemed to be automatically suspended," the official said.

According to a SIMEX statement, "the open positions of Barings Futures would be managed by the Exchange pursuant to the Rules of the Exchange with the view to an orderly management of the same."

SIMEX on Monday doubled the initial and maintenance margins to 1.35 million yen (13,939 US dollars) and 1.08 million yen respectively for Nikkei 225 contracts.

"This is to ensure orderly management of the open positions," a SIMEX official said.

Cash buying positions linked to arbitrage with Nikkei 225 futures were at a historic high of 1.5 billion shares as of last week.

Barings' Singapore futures unit is one of London-based Barings' three major operations in Singapore—the others being a merchant bank with an active corporate financial arm and a profitable stock broking company.

Barings is to be put into administration after reporting losses of more than 500 million pounds (795 million US dollars) through trading in derivatives in Asia, the Bank of England said Sunday.

Barings' collapse resulted from failed transactions in the derivatives market by a single trader.

Nick Leeson, the 28-year-old head of Barings Futures (Singapore) Pte. Ltd., was general manager of Barings Futures (Singapore) and its chief trader in Nikkei contracts. Corporate sources said he was now in Thailand.

Sources said the losses were essentially sustained by one person on a series of trades conducted on SIMEX and the Osaka Futures Exchanges.

Both bourses list the Nikkei 225 and Nikkei 300 index contracts but corporate sources here said the losses were in derivatives deals related to Nikkei 225.

Derivatives are products which derive their values on the underlying securities and include shares and index futures, interest rate swaps and options.

Some sources said Barings' problems emerged last Thursday when a sharp drop in Tokyo's stock prices caused the bank to default on margin calls.

Barings in Singapore discovered Leeson missing on Friday, sources said.

Leeson could have bought between 15,000 and 40,000 Nikkei contracts worth 120,000 pounds each on SIMEX and the Osaka Securities Exchange, the Business Times daily said Monday.

Meanwhile, the Stock Exchange of Singapore (SES) appointed its executive vice-president, Teng Cheong Kwee, to manage the business of Barings' Securities, the parent's Singapore-based stock broking arm, with effect from Monday.

"From a preliminary review of the financial position of Barings Securities (Singapore) Pte. Ltd., the exchange is of the view that the company's financial position is sound," an SES statement said.

The company, which is a wholly-owned subsidiary of Barings, "should have no difficulty in honouring all its outstanding contracts," the statement said.

The assurance by the SES helped stem a slide in prices of shares on the exchange, which dipped sharply on news that Barings will be put on administration.

The SES blue chip barometer Straits Times Industrials index fell 86.88 points to 2,027.64 when trading opened on Monday from Friday's close of 2,114.52 but recovered after the assurance by the exchange.

As at 0345 GMT, the index was hovering around 2,080 level.

## Cambodia

### Khmer Rouge Raps U.S. Genocide Investigation

*BK2602101595 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 25 Feb 95*

["Denunciation of War Criminals Who Are Massacring Mankind But Who Want to Make Themselves Appear as Wise Men"]

[FBIS Translated Text] What is the status of U.S. Diplomat Alphonse LaPorta [director of the U.S. Office of Cambodian Genocide Investigation] who has hurled accusations against resistance forces fighting to liberate the nation? He is actually a war criminal in Cambodia, the world, and history:

1. He is now accusing and threatening the Cambodian resistance forces;
2. Why is the United States acting as a boss? Under normal circumstances, it has no right to do this; so when it is acting as an arch warmonger, it is even more obvious that it has no such right at all; and
3. The United States is a war criminal in Cambodia, the world, and history.



The following are some examples of the United States being a war criminal against mankind:

1. In 1945, the United States dropped atomic bombs on Hiroshima and Nagasaki killing hundreds of thousands and wounding millions of Japanese people, young and old, male and female alike; the notorious legacy remains. What is it? Is it not a holocaust?

2. Between 1960 and 1968, how many Vietnamese adults, children, and Buddhist monks were killed or wounded by the United States?

3. How many military coups has the United States staged worldwide? Is this democratic? Even in Cambodia it has conducted a great many coups. Between 1960 and 1970, it carried out two coups; it has planned further coups. In sum, the United States has staged many hundreds of coups in the world. Is this American-style rights and freedom? Is this the American democratic way? Is this international law as practiced by the Americans? Is this the American version of the UN Charter?

4. Does the United States have the right to wage wars in Asia, the Middle East, Africa, and Latin America to kill the people? What is its culpability vis a vis the people of each country and mankind?

5. Currently, the United States is waging a war in Cambodia. How cruel will it be as it continues to massacre the Cambodian nation and people? Why doesn't it want to stop? Because the United States is imbued with the nature of a warmonger, devouring flesh and sucking the blood of other countries and peoples, violating democratic rights and freedom and the right to self-determination of each country and its people, and violating international law and the UN Charter. Is this the right thing to do?

What is the thinking of the U.S. imperialists and the U.S. diplomat, Alphonse LaPorta? It is the thinking of aggressors who massacre other nations and peoples and yet who want to be like a guru. In fact, they must be condemned as a war criminal by mankind.

The Cambodian nation and people are attractive, just, and decent. Although Cambodia is a small and poor country with a sparse population, its thinking is more decent than that of the U.S. imperialists. The nation and people need peace, independence, sovereignty, the right to self-determination, and security to rebuild the country, improve its conditions, and produce enough food. They want to fight with nobody and have never invaded any country. The nation and people have, however, their own honor and race; they know exactly what is right or wrong, good or bad. The people love their nation; whoever dares invade Cambodia, they are resolute in carrying out a struggle against them. This is their right to self-determination. The Cambodian people wish to warn the United States and Alphonse LaPorta that if you continue to fan the flames of communist Vietnam's war in Cambodia, you should not yell when you are

killed in mine explosions or gunfire. You were once defeated in the 1970-1975 Cambodian war and the Vietnam war; at present, you are being defeated in Somalia, and everywhere you are getting involved not only with big countries but also with small ones, which are putting the noose around your neck. If you persist in continuing the war, the noose will more and more tightened until you breathe your last.

## PRC Deputy Foreign Minister's Activities

### Meets With Foreign Minister

BK2502114895 Phnom Penh AKP in French 0402 GMT 25 Feb 95

[FBIS Translated Text] Phnom Penh, 25 Feb (AKP)—Ing Huot, minister of foreign affairs and international cooperation of the Kingdom of Cambodia, met in Phnom Penh on Wednesday [22 February] with PRC Deputy Foreign Minister Tang Jiaxuan, who is visiting Cambodia.

"The deputy foreign minister's visit is aimed at strengthening the traditional friendship between the two countries," said a Cambodian Foreign Affairs Ministry official.

"The two sides discussed assistance and bilateral cooperation," said Hor Sothun, head of the Ministry's Press Department, adding that Chinese assistance has so far been confined to rural development, agriculture, public health, and sports. According to Hor Sothun, the Chinese deputy foreign minister recalled the assistance his country provided to Cambodia to rehabilitate the agricultural school at "Prek Leap," the restoration of the No. 1 Pharmaceutical Factory, the drilling of 500 wells, the delivery to the National Police of 700,000 meters of cloth, the training of athletes, and the provision of 60 scholarships for Cambodians.

"Chinese aid amounts to around \$10 million," Hor Sothun pointed out, adding that 2,000 tons of rice will be provided to Cambodia to assist the victims of natural disaster.

The head of the Press Department also indicated that China, through Jiaxuan, reaffirmed its support for the king and the Royal Government of Cambodia. He said that Ing Huot has accepted an invitation from the Chinese foreign minister and will visit China within six months. The date of the visit will be fixed later.

Ing Huot called on the Chinese Government to encourage investment in Cambodia and continue its assistance to the Cambodian Government, added Hor Sothun.

### Meets With Chea Sim

BK2502150395 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 25 Feb 95

[FBIS Translated Text] Samdech Chea Sim, chairman of the National Assembly of the Kingdom of Cambodia, received His Excellency [H.E.] Tang Jiaxuan, China's deputy foreign minister, at the National Assembly Office



this morning. Samdech Chea Sim thanked the Chinese Government for its invitation to visit China. The samdech hoped that cooperation between the two countries will move toward development in every sector.

H.E. Tang Jiaxuan thanked the Royal Government of Cambodia, particularly the Foreign Ministry, for making his visit to Cambodia a success. During its four-day visit, the Chinese Foreign Ministry delegation was greatly impressed by the Angkor temple, an achievement of the ancient Cambodians, which is now very popular around the world.

H.E. Tang Jiaxuan left Phnom Penh for China at 1300 on 25 February. Seeing off the delegation at Pochentong Airport were H.E. Ung Sean, state secretary of the Ministry of Foreign Affairs and International Cooperation. PRC Ambassador Mrs. Xie Yue'e was also present.

### Foreign Minister Leaves for Tokyo Meeting

*BK2502115295 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 24 Feb 95*

[FBIS Translated Text] A five-member interministerial delegation led by His Excellency Ing Huot, minister of foreign affairs and international cooperation, departed at 1600 on 24 February to attend the forum on Indochinese development to be held in Tokyo 26-27 February 1995. The forum is being organized by the Japanese Government and will focus on infrastructure and human resources development. These are major sectors for development in Cambodia, Laos, and Vietnam. Ministerial delegations from 31 countries in Asia, America, and Europe and a number of international institutions will also take part in this forum.

At the preliminary meeting in December 1993, Cambodia noted the importance of reconstruction and development in Cambodia, Laos, and Vietnam and supported initiatives and efforts to promote this trend.

H.E. Ing Huot will express support for the role of the UN Development Program, UNDP; the Asian Development Bank, ADB; and the Economic and Social Commission for Asia and the Pacific as coordinators for human resources, infrastructure, and trade.

The delegation comprises their excellencies the deputy ministers of planning and public works and transport, their excellencies the general secretaries of the Ministry of Foreign Affairs and International Cooperation, and representatives of the Cambodian Development Council. The delegation will return on 28 February 1995.

### Army Gets 'Soviet-Style' Arms From Seychelles

*BK2402161395 Hong Kong FAR EASTERN ECONOMIC REVIEW in English 2 Mar 95 p 22*

[Report by Nate Thayer: "Bounty of the Sea"]

[FBIS Transcribed Text] When you need it most, help can come from an unexpected quarter. That's what the

Cambodian army discovered, after spending months pleading with governments around the world for more weapons to fight the Khmer Rouge.

When the Americans, French, Australians and other official friends all balked at providing overtly lethal aid, the Cambodians turned to the international arms market. They found plenty on offer in that bazaar, from Ukrainian helicopters to Israeli aircraft repair teams.

But the strangest deal was closed just weeks ago, when the Cambodian army took delivery of more than 300 tonnes of Soviet-style ammunition and weaponry purchased from the Seychelles, a scattering of tiny islands in the Indian Ocean.

The Seychelles navy seized the munitions as they were being shipped to Somalia in 1993 in violation of a United Nations embargo, foreign defence analysts say. It seems that under international law, when a cargo is seized in enforcement of a UN embargo, it's finders-keepers.

Among the 310 tonnes of ammunition are shells of 120mm, 60mm, 23mm, 14.5mm, 12.7mm and 7.62mm, as well as infantry weapons, machine guns and anti-riot weapons, the analysts say. Heavy weapons from a separate Seychelles' stockpile were also included in the deal. The ammunition would be compatible with Phnom Penh's armoury, much of which was acquired from the Soviet bloc during the Vietnamese occupation.

Though the shipment is valued at more than \$3 million, some military analysts have heard that Phnom Penh paid less than \$400,000. Cambodian military officials would only confirm that the shipment had been received.

Neither the officials nor analysts could identify the origin of the weaponry, noting that 30-40 countries actively trade Soviet-type material. Nor could they provide the nationality of the vessel that was attempting to deliver it to Somalia, the *Malo*, seized off the African coast by the Seychelles navy in March 1993.

When it was seized, the *Malo* was carrying about 400 tonnes of munitions, approximately 90 tonnes of which the Seychelles later sold to Rwanda and Zaire, the analysts say. The remainder was shipped to Cambodia in late December aboard a Seychelles ship, the *5 Juin*, owned by Island Development Co. And the whole deal, the analysts note, was legal.

### Khmer Rouge Communique Rejects Logging Contract

*BK2702074995 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 26 Feb 95*

["Communique" issued by the spokesman of the Provisional Government of National Union and National Salvation on 26 February; place not given]

[FBIS Translated Text] I. According to well-informed sources in Phnom Penh, the traitorous two-headed Hun



Sen-Ranariddh-Chea Sim clique just signed a contract selling 800,000 hectares of forest to a Malaysian-based international company, Samling. The two-headed government gave this foreign company exclusive rights to log and occupy this 800,000-hectare plot for 70 years.

II. This contract, considering the vast expanse of forested area involved and the 70-year term, can in fact be seen as Cambodia's auctioning. The 800,000 hectares of forest in question constitute more than 20 percent of the forested area left in Cambodia at present. Compared with the size of the provinces, it is as large as the territories of Kandal and Kompong Speu Provinces combined.

It should be recalled that before the communist Vietnamese enemy invaded Cambodia at the end of 1978, Cambodia had nearly 10 million hectares of forest land. The forests have been dramatically devastated by the communist Vietnamese enemy, communist Vietnam's two-headed puppets, and the warmongers in eastern, central, and southern Cambodia from the Dragon's Tail region of Ratanakiri, Mondolkiri, Kratie, and Kompong Cham down to Kampot, Kompong Som, and Koh Kong.

The two-headed government is now suffering serious defeats and is waiting for the day it will die an unnatural death in its capacity as a bunch of nation-selling and race-exterminating traitors. No one can save them. Their only concerns now are to sell out the nation by signing countless contracts, auctioning off everything, and amassing dollars, gold, and other valuables while preparing to flee abroad. They have been selling off even Phnom Penh, its land, and its buildings. Even the area fronting the royal palace has not been spared. They have sold off the countryside, the ponds, the lakes, the rivers, the forests, the seas, the islands, the seabeds, the oil fields, and underground gas. They have been measuring up and portioning off everything for sale. The beaches in Kampot, Kompong Som, and Koh Kong have all been sold. In other words, the two-headed and three-eyed government of Hun Sen and Ranariddh has cheaply auctioned off the Cambodian nation and people.

That constitutes a most abominable act of national betrayal and murder perpetrated by the Hun Sen-Chea Sim-Ranariddh traitors who have been conniving with the communist Vietnamese enemy, the villainous alliance, and their associates in chomping the Cambodian nation and people, gnawing their bones, sucking their blood, and continuing to fan the genocidal war against Cambodia.

III. The Provisional Government of National Union and National Salvation [PGNUNS] and the Cambodian nation and people completely reject and consider null and void all contracts signed by the traitorous two-headed government with Hun Sen, Chea Sim, and Ranariddh as the direct ringleaders. The villains who have been scrambling to gnaw the bones and suck the blood of the Cambodian nation and people with the blessing of the fascist, traitorous, and corrupt regime of Hun Sen, Ranariddh, and Chea Sim—cheap lackeys of communist Vietnam and the U.S.-Australian-French alliance—must

bear full and total responsibility for the heinous crime of extending the war against and plundering and decapitating the Cambodian nation and people.

[Dated] 26 February 1995;  
[Signed] The spokesman of the PGNUNS

#### **Ranariddh Comments on Contracts Reexamination**

*BK2602130995 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT  
26 Feb 95*

[FBIS Translated Excerpt] At a gathering held recently in Kang Meas District, Kompong Cham Province, Prince Krompreah Norodom Ranariddh called on the National Assembly and ministries concerned to scrutinize investment documents before signing them to avoid subsequent revisions.

Commenting on former Economy and Finance Minister Sam Rangsi's demand to see the contracts signed with Malaysian companies, the prince said: Sam Rangsi was present at the signing ceremonies in his capacity as a minister—why did he not look at the documents then? He added that no one will dare sign any further contracts with us if we insist on reexamining those we have already concluded. The prince recalled the project for the development of Sihanoukville. It was signed at an interministerial meeting in which Sam Rangsi also participated, but Rangsi later asked to see the contract.

With regard to Royal Air Cambodge, the prince said the Royal Government only wants to have a proper national company to embark on a joint venture with Malaysia without affecting the national budget. [passage omitted]

#### **Investment Official Views Stock Exchange Plan**

*BK2502140695 Phnom Penh AKP in French 0354 GMT  
25 Feb 95*

[FBIS Translated Text] Phnom Penh, 25 Feb (AKP)—Cambodia has proposed setting up a stock exchange and will strive to rationalize investment procedures in the country in an effort to rebuild its war-devastated economy, according to press reports on Thursday [23 February].

It Vichet, general secretary of the Cambodian Council for Investment (CCI), affirmed that the stock exchange could be operational within 18 months although another source told AFP that this would certainly take a few years.

It Vichet spoke on Wednesday at a seminar on the greater Mekong subregion coinciding with Thailand's industrial fair now being held at Laem Chabang, about 120 km southeast of Bangkok.

"We intend to set up a stock exchange within a year and a half," he affirmed. "This is an ambitious undertaking but we are reasonably convinced we can achieve this goal."



It Vichet added that the establishment of a stock exchange "will promote investment in Cambodia by local and foreign firms. This should encourage a more liberal market."

"The stocks (that will be listed) could be 100 percent foreign or Cambodian," It said.

The Phnom Penh government set up the Cambodian Council for Development (CCD) under the chairmanship of Co-Prime Minister Prince Ranariddh in March 1994 to facilitate investment in the country through a "one-stop organization."

This council comprises two sections—the CCI chaired by It Vichet and the Development Council for the Reconciliation [as received] of Cambodia.

The CCI, which deals with foreigners, will approve investment projects within 40 days on average, according to It Vichet.

Cambodian Ambassador to Thailand Roland Eng said that the participants in the Laem Chabang seminar stressed the help the government could provide to investors, the investment possibilities in Cambodia, and the investment potential and stability of the country.

Cambodia "has launched these projects aimed at guaranteeing a free business environment," Eng affirmed, adding: "The country and the people are open to all sorts of possibilities."

#### **Economist Views 'Worrying' Population Growth**

*BK2702094795 Bangkok BUSINESS DAY in English  
27 Feb 95 p 3*

[Report by Robin McDowell]

[FBIS Transcribed Text] Cambodia's population growth rate is 4 percent per annum, according to the Council for the Development of Cambodia [CDC]—worrying news to a representative of the Economics Group of London in Indochina and Thailand.

"If it is 4 percent, it will create a major crisis to pull up per capita GDP," said Christopher Bruton, who has been closely involved with business development in Cambodia for over 20 years.

There are about 9.3 million people in Cambodia with a per capita income of only \$230. Unless population growth is controlled that figure will remain low—bad news for potential investors, he said.

"There is no doubt with such a low per capita income, that there is not a lot of purchasing power," said Mr Bruton, who was one of four panelist at the Board of Investment's Greater Mekong Subregion Business Workshop on Cambodia last week.

"The government will have to reduce the population growth rate to bring it back to a reasonable level," said Mr Bruton.

The CDC, an agency chaired by the country's Co-Premier Prince Norodom Ranariddh, is the key board dealing with foreign and local investment. Though statistics of any kind are virtually non-existent in war-torn Cambodia, the CDC includes in the statistics it does provide the 4 percent figure, which puts its population growth rate among the highest in the world, Mr Bruton said.

Vichet It, the secretary general of the Cambodian Investment Board [CIB], the operating board of the CDC, said: "I agree the population growth is key, because it will have a direct impact on social development, especially on the quality of education."

He added, however, that the figures are two years old and in need of being updated.

In the early 1990s, the Cambodian economy recorded an average growth rate of seven percent per annum.

Political unrest and insecurity have depressed over all economic productivity, leading to a slowdown in 1993 when real GDP grew by only 4.1 percent, according to the CIB.

Last year the GDP expansion was lower than the anticipated rate of 7.5 percent due to a decline in agricultural output as a result of floods, according to the CIB.

### **Indonesia**

#### **Barings Securities Suspends Trading**

*BK2702052695 Hong Kong AFP in English 0508 GMT  
27 Feb 95*

[FBIS Transcribed Text] JAKARTA, Feb 27 (AFP)—Baring Securities, the main dealer on the Jakarta bourse last year, suspended trading on Monday following the futures dealing scandal involving the parent bank, a stock exchange spokeswoman said.

"It's their own decision. We did not have to issue any order," said spokeswoman Indira Salim.

Richard Fischer, a manager for PT Baring Securities Indonesia, told AFP: "The company has taken the decision not to trade today. Otherwise I have no other comment. I have to talk to our clients."

Baring Securities' Indonesian operation had a turnover of 2.842 billion rupiah (1.4 billion dollars) in 1994, making it the largest local dealer.

The British merchant bank has been placed in administration by the London financial authorities after losing more than 500 million pounds (800 million dollars) in derivatives trading in Asia.

According to the Jakarta head of the brokerage, W.I. Carr, the Indonesian stock market could be hit by severe



fallout on Monday. "It could mean some panic selling by a few local brokerages, who are worried after selling stocks in recent days to Barings," commented Eric Louis, chief executive of PT W.I. Carr Indonesia, which is owned by French bank Indonsuez.

"But the impact should not go too. It would be unthinkable for Barings not to pay dealers and also because the market is not very liquid and can handle the shocks.

"The same thing happened in the storm after the Mexican financial crisis. Jakarta has only fallen seven percent since while other Asian markets, where there is more money, have lost 10 to 12 percent."

As the Jakarta market is not computerised, Monday's index would not be known till late in the day.

### **Military 'Ready' To Reduce Representatives**

*BK2402160095 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 24 Feb 95*

[FBIS Translated Text] Major General Muhammad Maaruf, ABRI [Indonesian Armed Forces] chief of staff for social and political affairs, says ABRI is ready to have the number of its representatives in parliament reduced. He said this to reporters after attending a meeting in which ABRI Commander General Feisal Tanjung addressed Kostrad [Army Strategic Command] officers in East Jakarta. Maj. Gen. Maaruf also dismissed views that ABRI often tend to favor Golkar [Functional Group] in channeling its political aspirations.

[Begin Maaruf recording] Our political aspirations continue to reflect those of the people and nation. As a stabilizing force, we must be able to reflect the people's aspirations. We also hope the ABRI faction in parliament will serve as a stabilizing force. [end recording]

Asked about the current role of the ABRI faction in parliament, Maj. Gen. Maaruf said the faction is now playing its role well as a stabilizing force representing the people. According to national consensus as stipulated in Law no. 2/1985, ABRI has 100 representatives in parliament.

### **Government Lifts Ban on Muslims' Mosque Visits**

*BK2702083895 Jakarta REPUBLIKA in Indonesian 15 Feb 95 p 16*

[FBIS Translated Text] Jakarta—The government has no longer barred its citizens from conducting a pilgrimage to Israeli-occupied territories—for Muslims to visit the al-Aqsa Mosque in Jerusalem and for Christians to visit Bethlehem. Malaysia issued a similar decree last October.

"The government has no objection to the intention of their citizens to practice their religions by conducting a religious pilgrimage to Palestine," Religious Affairs Minister H. Tarmizi Taher said during a working meeting with House Commission IX [in charge of social and

religious affairs] at the Operation Room [preceding two words in English] of the Department of Religious Affairs in Jakarta on Monday evening. However, he reminded the press to carefully quote his statement.

The government issued the stance on visits to the territories after the House of Representatives questioned them. Tengku Jamaluddin Waly from the United Development Faction stated that many Indonesians, particularly umrah [minor] and hajj pilgrims, had visited the al-Aqsa Mosque via Jordan.

According to the religious affairs minister, the Department of Religious Affairs has coordinated with the Department of Foreign Affairs and the Directorate General of Immigration of the Department of Justice on the visits to monitor any citizens who go to the disputed territories.

The religious affairs minister added that the government had sought the opinion of Islamic mass organizations on the matter. They authorized visits to one of the two main mosques—the al-Haram Mosque and the al-Aqsa Mosque.

Visits to the holy places, which are situated in the Israeli-occupied territories, have been made quietly. Pilgrims seek Israeli visa from travel bureaus in Jordan. Visits by several religious leaders to Israel, which were not for a pilgrimage, by the end of last year were widely questioned.

In addition to the pilgrimage to Palestine, the three-hour working meeting also touched on problems discovered by MPs during their working visits to several provinces. One of the problems was a conflict within the Walubi, Indonesian Buddhists Association.

In reply, the religious affairs minister expressed the government's concern over the continued conflict within the Walubi although efforts were made to settle the conflict internally during the Fifth Five-Year Development Plan. According to the religious affairs minister, the matter has dragged on because of the ambition of some leaders in the organization.

### **Commentary Praises Inquiry Into Liquica Incident**

*BK2702083295 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 27 Feb 95*

[Station commentary]

[FBIS Translated Text] Dear listeners! A fact-finding team from the ABRI [Armed Forces of the Republic of Indonesia] General Headquarters, led by Brigadier General Sumarna, said that steps and measures taken by ABRI patrolmen in the Liquica incident were in line with the operational procedures and authority. Six civilians killed in the incident were members of the GPK [Security Disturbance Movement]. Two of them were true members of the GPK, while the other four were part



of a clandestine network. However, there were indications of deviations from the military operational procedures during the ambush conducted by the military patrol team in Liquica. According to Brig. Gen. Syarwan Hamid, head of the ABRI Information Center, a military honorary council is needed to determine the extent of the deviations from the operational procedures. In this regard, the ABRI commander will take stern action against those who are found guilty of deviating from the procedures.

News of the Liquica incident, which took place on 11 January, quickly spread not only at home but also to neighboring countries. Australian Foreign Minister Gareth Evans stated that the Australian Government, which has consistently supported Indonesia on East Timor, was relieved that Indonesia had conducted an official inquiry into the incident. New Zealand expressed its concern over the Liquica incident, too.

What ABRI Commander Gen. Feisal Tanjung had promised—stern action against the guilty—will be supported by the East Timor sons and daughters in particular and the Indonesian people in general. In addition, this will bring relief to the international community. The settlement of the Liquica incident is inseparable from the people's role because the unity between the ABRI and people in East Timor has proved that problems can be resolved. We give a thumbs up if the culprits are punished in accordance with the ABRI rules on discipline. The ABRI has set a good example for others to emulate in the implementation of development, particularly in provinces.

#### Minister Views Strategic Industries' Profits

*BK2602132195 Jakarta THE JAKARTA POST in English 21 Feb 95 p 8*

[FBIS Transcribed Text] Jakarta (JP)—Minister of Research and Technology B.J. Habibie said yesterday that the strategic industries under his control should be given two to three years to prove that they can bring home profits, provided export credits are granted for the sales of their products.

"Give our strategic industries conditions like those enjoyed by our competitors. And within two to three years, we will see if the industries are profitable or not," Habibie told reporters during a break of a hearing with the House of Representatives' Technology and Development Planning Commission.

Habibie said the Bandung-based aircraft manufacturer PT [Private Limited] IPTN [Nusantara Aviation Industries], and its sister ship-building company, PT PAL [Indonesian Navy Industries] Surabaya, were still suffering financial losses because of the absence of export credits. He did not disclose how much the companies' losses were.

The two companies are under the control of the Agency for the Management of Strategic Industries (BPIS), which is chaired by Habibie.

"If we have to sell all our products on cash-and-carry terms, how can we compete with foreign or domestic producers which offer credit facilities for buyers?" Habibie asked.

Habibie, IPTN president, said the absence of export credit facilities for buyers has made it difficult for IPTN to compete with foreign producers.

He said that it was IPTN which opened the Turkish market and won a contract to supply it with 52 CN-235 aircraft a commuter airplane developed jointly by IPTN and CASA [Construcciones Aeronauticas] of Spain.

"However, we will gain only 30 percent of the total sales value of the aircraft, with the other 70 percent going to CASA which offered export credits to buyers," Habibie said.

He said President Suharto had instructed him to hold a meeting with the Governor of Bank Indonesia (the central bank), the Minister of Finance and IPTN executives to decide upon mechanisms for providing credit for the export of aircraft.

He said that two other strategic companies under BPIS were also suffering financial losses because of their debt burdens. They are the engineering firms PT Bosma Bisma Indra and PT Bharata, both based in East Java. Here again, the minister decline to reveal the size of the losses.

Export credits will also be sought to support the sale of goods produced by the other strategic companies under BPIS, Habibie said.

BPIS also overseas six other strategic industry companies: electronics manufacturer, PT LEN [National Engineering Institute]; arms manufacturer, PT Pindad [Indonesian Army Industries]; railway equipment producer, PT Inka; telecommunications equipment manufacturer PT Inti; steel producer, PT Krakatau Steel, and explosives manufacturer, PT Dahana.

When asked what he would do if the national budget could not support the granting of export credits, Habibie replied: "Just dissolve all the strategic industry companies which provide employment for 37,000 well-educated people."

#### Official Acknowledges Import of Thai Rice

*BK2602135095 Jakarta Radio Republik Indonesia Network in Indonesian 0000 GMT 26 Feb 95*

[FBIS Translated Text] The recent shipment of rice from Thailand is not the amount that country borrowed from Indonesia. Rather, Indonesia is importing it to increase its stocks. As one of the major rice exporting countries, Thailand has never borrowed rice from Indonesia.

Bulog [Logistics Bureau] Chief Beddu Amang said this to reporters in response to reports that Thailand is returning rice it had borrowed from Indonesia. Beddu



Amang said several countries, including the Philippines, have borrowed rice from Indonesia. The Philippines is known to have bought rice from Thailand to repay its rice loan from Indonesia.

### Philippines

#### Paper Ridicules Military Reinforcement Claim

BK2402155295 Quezon City MALAYA in English 18 Feb 95 p 4

[Editorial: "What Kalayaan Deployment?"]

[FBIS Transcribed Text] President Ramos ordered, during Wednesday's National Security Council meeting, the Department of National Defense "to strengthen, within our limited capabilities, our detachments and our naval presence in the Kalayaan Island Group and to intensify aerial surveillance over Panganiban Reef."

The operative words, as they say, are "within our limited military capabilities." And sadly these capabilities are very limited indeed.

The Air Force on Thursday said the country's grand total of five F-5E jet interceptors have been sent to the area. These fighter planes were complemented by two Huey helicopters and four S-211 jet trainers.

These Air Force desk jockeys (who, to their credit, are grounded for lack of flying assets and not for fear of flying) should tell us another.

Five F-5s? If they can send three of these 60's aircraft aloft all at the same time, then we're the Red Baron. Dispatched the planes to the Kalayaan area? Somebody's being economical with his facts.

The runway at Pag-asa, the largest of the five Kalayaan Islands where the Philippines has a token military presence, is so short one would need interceptors configured for aircraft-carrier operations for successful takeoff and landing.

Perhaps the Air Force meant the planes were deployed at the Puerto Princesa Airport, which is of dual use as a civilian airport and as a military facility under the Western Command [Wescom]. That should fit within the general description "Kalayaan Island Group area." Kalayaan after all is one of the towns of Palawan Province.

But it is no secret that those F-5s have been based in Puerto Princesa all along under the operational control of the Wescom. The last time those planes were operating in Luzon was in 1990. These were transferred to Palawan when lahar from Mt. Pinatubo descended on Basa Air Base in Pampanga.

And the S-211 trainers which originally were based in Fernando Air Base in Batangas? In a pinch, ground attack rockets could be mounted on the pylons of these "Widow Makers." But in any dust-up in the middle of

the South China Sea these trainers might as well be armed with slingshots if they went up against the Chinese warships. The same is true with the F-5s, even assuming that the air-to-air Sidewinders they are armed with are still tracking true.

The World War II-vintage "Tora-Tora" of the 1989 coup notoriety at least has one thing going for it. It carries iron bombs that it can drop—hit or miss, most likely miss—on anybody below.

The reinforcements to the Kalayaan Group the military people are talking about are a lot of hot air. They do not fool the Chinese, or the Vietnamese and the Malaysians for that matter.

If anybody is being led down the garden path, it's the Filipino people who are now wondering how it came to pass that we have become so militarily defenseless.

#### AFP To Start 'Shopping for War Equipment'

BK2402154995 Manila PHILIPPINE DAILY INQUIRER in English 19 Feb 95 pp 1, 10

[Report by Cynthia D. Balana]

[FBIS Transcribed Excerpt] Fort Del Pilar, Baguio City—The Philippines will start shopping for war equipment for the Armed Forces to protect the country's territorial integrity, AFP [Armed Forces of the Philippines] Chief Gen. Arturo Enrile said yesterday.

Enrile, who was a guest at the 90th Foundation Day of the Philippine Military Academy [PMA] here, said the Senate's passage last week of the AFP modernization bill gave the military the go-signal to seek the best deal.

"We are looking worldwide, really, wherever we can get the best deal," Enrile told reporters. "Like a married couple, we are shopping, we are preparing."

The Philippine Navy is top priority in the modernization program, with the planned initial purchase of six patrol vessels to support the three patrol ships in its inventory.

The three ships have been deployed to the Kalayaan Islands claimed by the Philippines, where China has established a naval presence on and around Panganiban (or Mischief) Reef.

Kalayaan is part of the oil and gas-rich Spratlys, which are being claimed wholly or in part by the Philippines, China, Malaysia, Vietnam, Taiwan, and Brunei.

Malaysia and Australia have joined other countries in expressing concern for the incursion, which Manila has described as China's "forceful demonstration" of its claim over the entire Spratlys.

Earlier, Indonesia, Vietnam, the United States, and Thailand called for restraint and a peaceful resolution of competing claims in the South China Sea.



The AFP has admitted to having difficulty in protecting the country's territorial claims due to its inadequate and outdated equipment.

Enrile said he was considering the firearms of Pakistan as he has a standing invitation from his counterpart in the Pakistani military to visit that country.

He said Russian weapons were also being considered.

The AFP modernization program is to run for 15 years on an estimated budget of P[pesos]300 billion.

For the first five years, Enrile said, the government may spend P50-70 million for purchases. But details will still be finalized by the AFP and Congress.

For the Air Force, the purchase of aircraft interceptors and improvement of its radar system were seriously being considered, Enrile said.

"Definitely, we are now looking around, and maybe initially, we have to upgrade our capabilities and invest on the training of our men," he said. "What we are looking at is an immediate five-year program. That is where we start prioritizing." [passage omitted]

In his PMA Foundation Day speech, Enrile stressed the need for a modernized AFP which shall stand as a dependable and potent force not only for defense but also for economic development.

He said that while the security situation in the country has improved, there was still need to upgrade its weaponry and professionalize its soldiers in case of foreign aggression.

Added Enrile: "These are very vital especially in relation to the changing environment of defense and security in the regional and global context, and in view of our thrust to create a lean, mean, and credible organization with highly skilled and efficient men and women."

#### **Article Praises Ramos on Spratly Crisis**

*BK2402151595 Manila MANILA STANDARD in English 21 Feb 95 p 8*

[Article by Nestor Mata: "Mr. FVR Plays Cards Well in Spratlys Game"]

[FBIS Transcribed Text] President Ramos is playing his cards well indeed in the game over the Spratlys with China, a game not with military but diplomatic overtones.

"If there be (shades of Brutus in Shakespeare's play Julius Caesar!) any intruder now and in the future into our territory or exclusive economic zone, we shall ask them to depart and leave us in the Philippines in peace....," Mr. FVR [Fidel Valdez Ramos] said in a speech before the Philippine Military Academy Alumni Homecoming the other day.

That, dear friends, was not an angry saber-rattling by a soldier-president; that was a splendid display of fine diplomacy by a president fully aware of our country's limited military capabilities but certainly confident of the justness of its position in the eyes of the international community.

Of all people, Mr. FVR knows very well that the Philippines has never, ever been a military factor to consider in the history of Southeast Asia. And there are a number of reasons for this...

First, it has been consistently parochial in outlook with respect to the rest of the world. With no other ambition except to stay happy and live a simple life, Filipinos have never coveted the lands of other peoples, except perhaps Sabah, but this is altogether another story.

Second, we are very trusting and friendly people, believing that other countries will reciprocate our friendly gestures.

And third, we have been lulled into thinking that the United States, reputed to be the watchdog of democracy in the world, will always be our guardian.

Now, as the Panganiban Reef issue shows too glaringly for comfort, we are being hurt by our naivete.

China, as news reports put it, has constructed a military guard post atop that reef, otherwise known as Mischief Reef, part of the Spratly Islands, a chain of more than 100 tiny stools that straddle vital shipping lanes in the South China Sea, and, if we are to believe the Russian Research Institute of Geologies of Foreign Countries, may shelter layers of oil estimated at 7.41 billion barrels.

We claim that reef to be within our territorial waters, and China's act is therefore a direct challenge to our country. In effect, one might say, Beijing is telling Manila, "What now? You may do as you please."

Of course, we are not going to resort to saber-rattling, although Mr. FVR did say that he "will not allow any slackening in our defense capabilities and responsibilities."

But his own defense secretary, Renato de Villa, has already candidly admitted that the Philippines does not have the military capabilities to expel the Chinese. We do not have a squadron of modern fighter planes; we do not have a destroyer or frigate or submarine in our entire naval fleet.

In short, when we look at our arsenal, our military strength is that of a mouse when compared with those of our neighbors, Taiwan, Thailand, Vietnam, Malaysia, Singapore and Indonesia. Little wonder then that we cannot believably project an air or naval presence even in our own jurisdiction.

However, what we lack in firepower can be compensated for by a mix of nonconventional, flexible, guerrilla-type initiatives and, better still, a multilevel diplomatic approaches.



Just take a look at the Spratlys, particularly that reef the Chinese occupy. It is too far from China to enjoy Chinese air cover. But it is too close to Palawan to be reached by the F-5s of the Philippine Air Force. And since China does not have an aircraft carrier to give it a strategic advantage in the Kalayaan Islands, the ones in the Spratlys we claim, even one F-5 in the air is better than a squadron of MIG-21s too far removed from the area.

To say, therefore, that the Philippines is totally helpless militarily to deal with the Chinese challenge in Panganiban Reef is to ignore basic geography. This is not a question of military superiority anymore, but one of tactical advantage.

Another plus factor for the Philippines is the gross unpopularity of China's military posture. China is in a no-win situation in this game of international public relations and diplomacy. A bully, as the Russians have learned the hard way, antagonizes the world community.

As the issue gets regionalized and internationalized, China's behavior in the contested area ceases to be a purely Philippine problem.

Our message platform is distinctly and ineluctably clear—China's occupation of Panganiban Reef, which is part of Philippine territory, destabilizes peace and security in a vital international sea lane.

This is a clear language that the United States, Japan and Europe understand.

And so, overall we say that President Ramos is playing his cards well, indeed.

A good option, however is to let China save faces.

#### **Navy Information Shows PRC Occupying Island**

*BK2702115895 Quezon City DZBB Radyo Bisig Bayan in Tagalog 1044 GMT 27 Feb 95*

[FBIS Translated Text] The Philippine Navy's intelligence information and monitoring indicate that the Chinese Navy plans to occupy Reed Bank, one of the islands in the Kalayaan Islands. According to a source at Camp Aguinaldo, this was discovered by the military after Chinese markers were found in the vicinity of Jackson Atoll and Half Moon Reef, areas that are very near Reed Bank, and Chinese Navy ships were positioned in Jackson Atoll and Half Moon Reef.

It should be recalled that the Chinese Navy intruded in the Kalayaan Islands by building structures on Panganiban Reef, but they pulled out immediately when the Philippines protested. The Chinese Navy remains outside of the Philippine exclusive economic zone, not far from the Kalayaan Islands, so that its presence will not be subject to protest.

According to Philippine Navy monitoring, at this point the Chinese Navy is planning to build structures on Reed

Bank, which is part of the Kalayaan Islands. This is based on the markers and the movements of the Chinese Navy in the areas of Jackson Atoll and Half Moon Reef.

#### **Secretary Says Baring Fiasco 'Short-Term Blip'**

*BK2702082295 Hong Kong AFP in English 0806 GMT 27 Feb 95*

[FBIS Transcribed Text] MANILA, Feb 27 (AFP)—The tidal wave effect of the collapse of Barings plc should be short-lived in the Philippines, but it has given the country a lesson in caution, Finance Secretary Roberto de Ocampo said Monday.

The British merchant bank's Philippine subsidiary, in a move repeated across the region, voluntarily suspended trading operations in the aftermath of the parent firm's disclosure that it had sustained a loss of about 800 million dollars from derivatives trading in Asia.

Philippine Stock Exchange officials said would not say whether additional measures were being planned with respect to Baring Securities (Philippines) Inc., adding they were still deliberating on the case.

Baring Philippines chief Gregorio Kilayko told AFP the voluntary suspension would only be for a day "to calm the market," which plunged four percent in the aftermath of the parent firm's collapse.

A "crisis of confidence" affected Monday's trade as a result of the Baring-crisis, analyst Bunny Ladrado of Philippine Asia Equity Securities Inc told AFP.

The Baring subsidiary, which insists it remained solvent, maintains one of the largest stock brokerage operations in the country.

De Ocampo told reporters the Barings fiasco should be a "short-term blip" in Philippine capital markets.

"Philippine securities should not be affected, but as its (Baring's) mother company gets into trouble some investors will get skittish," he added.

He said the development should be taken in the context of the effect of the recent Mexican currency crisis on so-called emerging markets.

"It gives us ground to be alert about the possibilities so we don't fall into the same trap," the official said.

The Philippines "has not totally plunged into (the derivatives trade) so we will treat it more thoroughly and wholly before going into it," he added.

The Philippine Central Bank in December issued a set of risk management guidelines on derivatives trade to all commercial banks and specialized government banks in December to compel them to adopt "appropriate oversight" by bank boards and an "adequate risk management process."

The circular was adopted from the work issued by the Basle Committee on Banking Supervision in July 1994.



Allan Ortiz, deputy vice chairman of the state-run Development Bank of the Philippines, told reporters the Barings situation "will create significant ripple effects. We're in for tougher times."

He said derivatives trading in the Philippines has remained on the fringe as it was "a game for people with huge money .... We're not in that league, we don't have money to play around."

### Thailand

#### Karen Buddhist Troops Reportedly Kill 3

BK2502114395 Bangkok THE NATION in English 25 Feb 95 p A1

[Report by Somchit Rungchamratsami]

[FBIS Transcribed Text] Mae Sot—Two Karen refugees and Thai driver were killed on Thursday afternoon and 10 others, including four small children, were seriously injured when they were fired on allegedly by a group of Karen Buddhist troops.

The refugees were moving deeper into Thailand after being constantly harassed and threatened by armed groups crossing the border.

Thai police in Sop Moei district of Mae Hong Son suspected that the Democratic Kayin [Karen] Buddhist Organization (DKBO), which was formed in December by a group of Karen Buddhists who were dissatisfied with the religious policy of the Karen National Union (KNU), was responsible for the attack.

The incident took place at 5.30 pm, when an unestablished number of DKBO forces, who illegally crossed the Moei River into Thailand, allegedly opened fire on a blue Isuzu pick-up, which was transporting about 20 Karen refugees from Ban Mae Bua in Sop Moei to Ban Huai Haeng.

The driver, Udom Khiaumun, 40, a resident of Mae Hong Son, and two refugees—one man and one woman—died at the scene and 10 others, including the children, were seriously injured. The dead were identified as Naw Bae, 40, and Nor Me Phaw, 36.

All the wounded were sent to Mae Sariang Hospital for treatment. Robert Thwe, a KNU refugee committee member, accused the DKBO of being responsible for the attack saying that the incident took place near the border where DKBO forces have been known to covertly enter Thailand.

#### General Wimon Views Burmese Apology, Refugees

BK2402135695 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 24 Feb 95

[FBIS Translated Text] Senior Burmese military officers, who are on a visit to Bangkok, have apologized to the

Army commander for the shelling of Thai territory by Burmese soldiers during the Burmese campaign against a Burmese minority group. Army Commander General Wimon Wongwanit said senior Burmese military officers called on him yesterday during, which they discussed good relations between the Thai and Burmese Armed Forces. On the issue of displaced Karens, the Army commander said the Burmese wanted fellow citizens to return home to join the national development process. In any event, the return should be voluntary to avoid violating their human rights.

[Begin recording] [Unidentified newsman] Are we going to push them back?

[Wimon] Actually, we do not push them back. If they volunteer, we send them back. We never force them back. If we use the term to push them back, other countries will misunderstand us. Regarding the people who fled here, they will volunteer to return if the threat to their safety ceases. In that case, we send them back to the areas they wish. If we use the term pushback, it will invite other countries to think inaccurately that we are violating the refugees' human rights and their wishes, which we have not done. [end recording]

Meanwhile, Colonel Adirek Yaemngamriap, commander of the Control Unit 34, said that most of the refugees have volunteered to return home. Less than 50 refugees now remain in Thailand. He said the situation at Kawmura camp, which was overrun by Burmese soldiers, is now no cause for concern. There is no safety problem in the Thai areas in the vicinity.

#### Chuan, Deputy Minister Comment on Karen Refugees

BK2502151595 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 25 Feb 95

[FBIS Translated Text] Prime Minister Chuan Likphai has said Thailand will take care of the displaced Karens who have crossed the border into Mae Sot District, Tak Province until there is no more fighting inside Burma. He noted that Thailand had been trying to act as a mediator to achieve peace between the two sides because peace in Burma would also mean peace along the Thai-Burmese border.

[Begin Chuan recording] The Karens who are Buddhists have already left to join the Burmese Government. Concerning those who remain here, we leave it to them to decide whether or not they want to return. We have no right to force them out; it is their personal problem. In fact, we have made a great effort to help both sides. We have tried to get them to discuss peace. [end recording]

Asked about the Burmese Government's request for Thailand to send back these ethnic people, Deputy Foreign Minister Surin Phitsuwan said Thailand did not reject the Burmese Government's request, but repatriation must be voluntary:



[Begin Surin recording] There will have to be coordination. We do not reject the Burmese Government's request, but we want those people to be sent back on a voluntary basis. It depends on their willingness; on their safety once they are back in Burma. We have to study those problems very carefully. [end recording]

#### **Editorial Rejects Foreign Pressure on Burma**

*BK2502150095 Bangkok THAI RAT in Thai 25 Feb 95 p 3*

[Editorial: "Thailand's Stand on the Problem in Burma"]

[FBIS Translated Text] It is strange but true—no country having diplomatic relations with Burma has severed these ties because of the ongoing situation. Yet several Western countries and Australia, which proclaim noninterference in the internal affairs of others, have betrayed their principles and acted against Burma. They have even persuaded others to follow suit without thinking about the 50 million innocent Burmese people who will suffer.

It could be because of their hatred for the Burmese military junta that Western countries sympathize with the ethnic armed resistance forces fighting for autonomy. They have received support in the form of weapons as well as money from several countries. Some countries, including Japan, have provided combat training for their armed personnel. With the collapse of Manerplaw and Kawmura, the two major Karen strongholds, there has been pressure on Thailand to assist these people. Thailand is correct to provide only humanitarian assistance.

Located close to Burma, Thailand has been watching the situation there and understands that the ethnic minorities do not want to come under Burmese rule. This fact results from Burma's historical development. When the country was still a colony, all the autonomous states were under British rule together with Burma. After the British left, states that should have been given independence became subject to Burmese rule. Thus the fighting erupted and has continued for more than 30 years as the Burmese Government has refused to give freedom to these peoples.

To solve the problem in Burma, we must first understand the situation there and then try to build unity. There should be a union or federation of states with greater autonomy given to the ethnic groups. The central government should be in charge of handling major national problems. In other words, back to the old principles of the Union of Burma. The present Burmese junta must adopt a liberal stance and be sincere toward all states in order to forge a feeling of national unity. This may take a long time.

Once the first task is achieved, the next step will be to adjust Burma's administrative system toward democracy, with priority given to the people's sovereign power. This is what Thailand and other ASEAN members are

doing by trying to draw Burma toward the outside world and get the Burmese junta to realize how the outside world perceives it. In this way we hope to see democracy grow in Burma.

Thailand disagrees with any country or group of countries trying to pressure us to allow the Karens to establish strongholds inside Thailand. We appeal to the world powers and other countries to find a better way to solve the problem, avoiding violence and bloodshed. A better solution is to try to establish a federation in Burma.

#### **Army Chief Rejects Australian Pressure on Burma**

*BK2602131995 Bangkok SIAM POST in Thai 26 Feb 95 pp 1, 16*

[FBIS Translated Excerpt] Australian Foreign Affairs Minister Gareth Evans recently commented that the Burmese attack on the ethnic Karen stronghold was an inappropriate action. Australia will therefore move to block Burma's opportunity to participate in this year's ASEAN meeting. Moreover, the Australian Government has reportedly expressed its dissatisfaction over its belief that Thailand is going to push the Karen refugees out of Thai territory. In this regard, Prime Minister Chuan Likphai confirmed that Thailand will repatriate the refugees only when the situation in Burma returns to normal or on a voluntary basis. [passage omitted]

Thai Army Commander General Wimon Wongwanit disgustingly remarked with regard to the Australian reaction: "What connection do the Australians have with us? We like to believe them just because they are foreigners. If they do not agree with us, it is not a problem. They can just accept these refugees in Australia. Can they do that?"

#### **Karens Urge International Monitoring of Border**

*BK2602115395 Bangkok THE SUNDAY NATION in English 26 Feb 95 p A3*

[Report by Yindi Loetcharoenchok]

[FBIS Transcribed Text] The embattled Karen National Union (KNU), which lost its northern strongholds to recent Burmese military operations, has called for an international body to monitor the Thai-Burmese border to prevent violent harassment of Karen refugees in Thailand by armed Burmese soldiers.

The urgent request was made yesterday in response to Thursday afternoon's attack and murder of a Thai truck driver, a pregnant woman and a mother of a small child. The Karen refugees alleged that about 20 Burmese troops intruded into Thai territory and attacked five trucks carrying refugees.

Five other refugees were wounded and five were seriously injured, according to a statement issued by the KNU.



KNU officials said the incident took place at 5.30 pm when refugees from Mae Po Ta in Thailand were being taken by truck to a new refugee camp at The Lo Thi Ta which is about five kilometres from the original shelter which was right on the Thai-Burmese border.

The refugees were "repeatedly harassed and terrorized" by armed forces of the Burmese army and the Democratic Kayin [Karen] Buddhist Organization (DKBO), a breakaway Karen group, who illegally sneaked into their camp.

The attacks occurred on the same day that Thai Army Commander in Chief Gen Wimon Wongwanit said Thailand wanted to send all Burmese refugees home. He called the situation inside Burma "calm and safe" and said that all refugees "should return to help develop their country and not be a burden any more to Thailand".

Wimon also quoted visiting State Law and Order Restoration Council (Slorc) leader Lt Gen Tin U as saying that Burma wants all the refugees to return and that the junta rulers guaranteed their safety and would provide them with farmland.

While the Slorc has proclaimed that 8,000 refugees have already returned to Burma from Thailand, KNU officials acknowledged that some hundreds of refugees had left their camps to return to Burma and had not been prevented from doing so, but only asked to consider the move carefully. About 70,000 Karen refugees are currently in camps along the Thai-Burmese border.

The Karen statement said the KNU believes "it is in the best interest of the refugees to return to Burma and for the internally displaced to be able to return to their home", but cautioned that any repatriation "must be voluntary and carried out in accordance with established international principles and practices, and should not occur until it has been shown to be safe".

"The terror tactics used by the Slorc against refugees inside Thailand make it imperative to have monitoring of the refugee situation on the Thai-Burmese border by an appropriate international body in order to prevent the use of terror against refugees and to ensure that any repatriation is truly voluntary and safe," the statement added.

It said that on a number of occasions since their capture of the KNU Manerplaw headquarters in late January, Burmese troops have used the strategic position on the west bank of the Moei River opposite Thailand's Tha Song Yang district in Tak to intrude into Thailand for purposes of "harassing unarmed refugees, distributing leaflets urging Buddhist refugees to return to Burma, threatening to destroy refugee camps and even abducting refugees".

"These actions have caused many refugees to flee from established refugee camps further into Thailand away from the border," the statement said.

The Thai driver who was shot dead has been identified as Udom Khiaumun, 40, a resident of Mae Hong Son.

### **Foreign Minister Addresses Press on Policies**

*BK2502114695 Bangkok THE NATION in English 25 Feb 95 p A3*

[FBIS Transcribed Text] Thailand should change from being a recipient to a donor nation in the world community, "lending a hand" to other countries and especially our neighbours, Dr Krasae Chanawong said in his first press briefing after being sworn in yesterday as the new foreign minister.

"Thailand is no longer a poor country. It has been growing rapidly and has now become a leader in this region. We need to put more emphasis on lending a hand to other countries, particularly our neighbours," Krasae said, adding that we can achieve a lot by stepping up cooperation with international organizations.

The newly-appointed minister told reporters he intended to pursue the framework laid down by his predecessors, Thaksin Chinnawat and Prasong Sunsiri, and said his foreign policies could be summed up by the word "special", with each letter standing for different elements of his platform.

"S", he said, stands for "structure"—the restructuring of the ministry to improve efficiency; "P" represents "people"—since the foremost role of the Foreign Ministry is to serve the general public not just by issuing passports but in many other ways also.

"E" stands for "economy"—the ministry, he said, will act as a coordinator for government agencies in the implementation of economic policy. "C" represents "competition and cooperation"—Krasae hopes to see this country competing more with other members of the world community but in cases where we are not inclined to compete, we should cooperate with others on an equal footing.

The new minister said internationalization ("I") should be the catchword as this country takes more part in an ever-changing world community, while "A"—advanced technology and management—reflects the importance Krasae places in our keeping abreast with the latest developments in science, technology and human resource management.

The last letter, "L" stands for "localisation"—a term which Krasae defined as the need for ministry officials to take a greater interest in the concerns of local people and apply lessons learned from observing development projects in other countries to help our own citizens.

### **WTO Delegate Outlines National Priorities**

*BK2502140595 Bangkok THE NATION in English 25 Feb 95 pp B1, B2*

[Report by Chirawat Na Thalang]



[FBIS Transcribed Text] Thailand's permanent representative to the World Trade Organization (WTO) said yesterday that the issues of farm trade, market access, anti-dumping and export subsidy would be his priorities and that he will try to achieve the best deal for Thailand during his tenure as the head of the Thai negotiating delegation at the WTO.

Speaking at his first conference since returning from the first WTO general council meeting in Geneva, Danai Dulalampha, said that Thailand should place emphasis on different committees according to the degree of benefit Thailand expects to gain from the Gatt Uruguay Round agreements.

It is impossible for Thailand to actively participate in all 28 WTO committees, which are created to handle an array of issues including those not previously covered by Gatt such as trade in services, intellectual property and the environment, he explained.

Danai, who was recently appointed chairman of the agricultural committee of WTO, earned a reputation for his extensive experience in dealing with international trade negotiations.

He once served as the Thai ambassador to Brussels. Moreover, he was among the key officials involved in the setting up of the Cairns Group of farm exporting countries, which was designed to push through the farm trade agreement of the Uruguay Round at Phatthaya, when he was director-general of the Economic Affairs Department under the Foreign Ministry in 1986.

Danai said that the WTO permanent representative will report to the International Economic Policy Committee under the chairmanship of Deputy Prime Minister Suphachai Phanitchaphak. The administrative works of the permanent representative office do, however, function under the Commerce Ministry.

Unlike the previous rounds of Gatt talks, the Uruguay Round ended with the inclusion of areas of Thailand's benefits such as the requirements asking the WTO members to lift the barriers on farm imports and to eliminate textile quotas for the first time since Gatt's inception in 1947.

Danai admitted that being the farm committee chairman might, to a certain extent, block the country's chance to assert itself as an active negotiator on the farm trade at the WTO. But the long term benefit is that "The farm trade talks are not completed yet, and I expect more rounds of talks to push through the implementation of the farm trade requirement in the future. Of course, the chairman has to be impartial, but Thailand would be able to fully engage in the procedure of the farm trade talks. We will have a chance to act as an insider during the negotiating process for the first time," he said.

Since the farm trade agreement is the first ever of its kind in the history of Gatt, the developing countries like Thailand should keep a close watch to make sure that the

other Gatt members open up the domestic farm market for imported products as is required by WTO, he said.

Secondly, Thailand should keep a close watch to see how the other WTO members lift the barriers against imported industrial goods by participation in the WTO market access committee. Bangkok should also be actively involved in the textile committee to monitor the obligations under the textile requirement.

Moreover, Bangkok should actively engage in the WTO anti-dumping committee to ensure that the Thai exporters do not face unfair anti-dumping tariffs from the other importers. In addition, Thailand should be assured that its market is free from low-priced imports, which gain competitiveness from unfair export subsidies, he said.

On the defensive front, Thailand has to prepare itself to deal with the trade in services, where Gatt members have agreed a broad framework for liberalization, but have yet to decide exactly how to fill it. The participants have set a July 1 deadline for agreement on services.

Danai said that he personally thought the Thai private sector might not be ready to immediately face direct competition from foreign companies. In the initial stage, Thailand might allow foreigners to increase the proportion of their holdings in service businesses, covering banking, insurance, finance and telecommunications, from 25 percent to, let's say 30 or 40 percent. Bank of Thailand has also announced to grant more seven full banking licences to foreign bank branches operating in Thailand.

At any rate, he noted that the liberalization guideline is currently being worked out by the Finance Ministry. But Thailand is unlikely to immediately lift all barriers against foreign firms. The Thai negotiator expects it will be a difficult task to come up with a loose requirement, which leaves some breathing space for local investors and avoids an adverse effect on local businesses, he explained.

According to observers, Thailand expects to face a difficult time in dealing with the United States on the service issue. The US has tried hard to persuade Japan and Asian countries to open up their markets to foreign service companies.

#### **President of Hungarian Parliament Calls on Chuan**

*BK2402144495 Bangkok SIAM RAT in Thai 24 Feb 95 p 4*

[FBIS Translated Text] Hungarian Parliament President (Zoltan Kal), who is visiting Thailand as guest of the Thai Parliament, has paid a courtesy call on Prime Minister Chuan Likphai.

The president of the Hungarian Parliament said he hopes his visit will help strengthen Thai-Hungarian relations. He said the elected government of Hungary



has a policy of promoting all aspects of its relations with Thailand. Hungary is aware of the potential and the development achievements of the countries in the Asia and Pacific region, particularly Thailand with its ideal geographic location as a door for Hungary to penetrate Asia and the Pacific and Indochina. Likewise, Hungary is ready to serve as Thailand's door to Europe.

The president of the Hungarian Parliament said the Hungarian Government pays great attention to state enterprise privatization, particularly in the banking and energy industry sectors. He hopes that the Thai private sector will increase business investment in his country. Hungary also wants to expand trade relations with Thailand. It is currently very interested in the Thai transport industry.

Prime Minister Chuan Likphai said he is pleased with Hungary's friendship and its relations with Thailand, which is evident in the frequent exchange of visits by senior officials of both countries. He praised the transition to a new political system in Hungary, which has been implemented in the smoothest manner in that region. He said it is normal for problems to arise in the development of a democratic system and time must be given to the process.

#### **Yunnan Vice Governor Promotes Investment**

*BK2502143495 Bangkok Radio Thailand Network in English 0000 GMT 25 Feb 95*

[FBIS Transcribed Text] A party of 25 Chinese business people led by the vice governor of Yunnan Province in southern China attended the "Greater Mekong Subregion Business" workshops at the ongoing BoI [Board of Investment] fair 95. The workshop on Thursday focused on trade and investment in Yunnan. Vice Governor Li Jiating of Yunnan pointed out Yunnan's rich natural resources and high potentials in mining, energy generation, and agro-industry. He said that since China opens its door to the outside world, Yunnan's economy has expanded rapidly. Mr. Li Jiating also said that the Yunnan provincial government had accelerated the improvement of provincial infrastructure, including these routes connecting with other provinces and neighboring countries.

Thai investors have paid greater attention to Yunnan after Prime Minister Chuan paid an official visit to China in August, 1993. At present, 48 Thai companies operated in Yunnan Province with a combine investment of 107.7 million U.S. dollars.

#### **Expert Cautions Potential Investors in Cambodia**

*BK2502134095 Bangkok BUSINESS DAY in English 25-26 Feb 95 p 1*

[Report by Robin McDowell]

[FBIS Transcribed Text] The secretary general of the Cambodia Investment Board has this advice to offer

potential investors in the country: Make sure that all business contracts include arbitration clauses.

Without one, investors operate at their own risk, Vichit Ith warned yesterday.

"I would never sign a contract that does not say 'In case of dispute...'," Mr Ith told potential investors in Cambodia at the Board of Investment Fair.

Answering delegates who expressed concern about recent contract cancellations in the country, he said: "This is very a common practice worldwide."

The Cambodian Investment Board—the operational arm of the Council for the Development of Cambodia's (CDC)—deals with private sector applications for investment and liaises with new foreign and local investors. The CDC oversees all investment in Cambodia.

"Investors need to take their own responsibility and know the risk," said Mr Ith, who is the author of Cambodia's new investment law. "A lot of contracts are signed without an arbitration clause."

"We always inform investors from the private sector: 'Whenever you sign an investment contract put in a clause mentioning about arbitration court'," Mr Ith said.

He told investors to list reputable international courts in their contracts and recommended courts in Paris and London.

His sentiment was echoed by David Doran, a legal adviser at Dirksen Flipse Doran and Le, the first international law firm in Cambodia.

Thailand was the leading foreign investor in Cambodia in the early 1990s, but investments have dwindled to two joint-venture contracts in the last year—valued at \$900,000 and signed in the first half of 1994. Mr Ith did not know if they included arbitration clauses.

Mr Ith said no cases from Cambodian contracts had yet been brought to foreign court for arbitration, although Cambodia International Airlines threatened recently to sue the Cambodian government after it forced the airline to shutdown operations with less than 48 hours notice.

Investors at the meeting also expressed concern about the reduction of Chinnawat's International Broadcasting Corporation (IBC) cable television contract from 99 years to 30 years.

#### **Law To Open Industries To Foreign Competition**

*BK2702090095 Bangkok BUSINESS DAY in English 27 Feb 95 p 2*

[Report by Roy H. Reynolds]

[FBIS Transcribed Text] More industries will be open to foreign competition but more companies will be treated as foreign, under a new draft of the Alien Business Law.



Prime Minister Chuan Likphai said: "The draft will enable foreign investors and traders to have much greater access to the Thai market." Mr Chuan's comment was made on February 16 in a speech titled "Beyond Growth: Thailand Toward the Twenty-First Century", at a joint Foreign Chambers of Commerce in Thailand meeting at the Siam Intercontinental Hotel.

The existing Alien Business Law protects sixty-three types of business from foreign competition. It classifies the restricted businesses in three categories. Businesses in the first category are off-limits to foreign investment. These fully restricted industries include building construction, law and advertising. Businesses in the second category are accessible to foreign companies only with investment promotion approval from the Board of Investment. Businesses in this second category include pharmaceuticals, cement manufacturing and printing. Businesses in the third category are accessible to foreign business with Alien Business Licenses. Such businesses include exporting and textiles.

The new law will deregulate a number of industries and reduce the restricted categories from three to two. Restrictions on businesses in the second category will expire in two years, freeing additional industries to foreign competition.

The law will apply to companies owned by Thais but controlled by foreigners. Under the existing law, a company is considered Thai if a majority of the stock is held by locals. Foreigners have been able to retain control by creating two classes of stock and allocating voting rights to the foreign class. Chris King, a partner at International Legal Counsellors, observed there would be a number of issues which would need to be resolved under the new law. For example how will existing companies be treated? Will companies that have been operating for years as Thai suddenly become alien when the new law takes effect?

The draft has had much fanfare as a step toward free trade, but has not yet been distributed to the public. One attorney speculated: "It is not going to be popular, so they are waiting for the furor to die down."

#### **Navy Chief, Deputy Premier Discuss Submarines**

*BK2502140295 Bangkok BANGKOK POST in English  
25 Feb 95 p 2*

[FBIS Transcribed Text] Navy Commander-in-Chief Adm Prachet Siridet has met Deputy Prime Minister Suphachai Phanitchaphak to explain the Navy's plans to buy two submarines.

Mr Suphachai said the navy chief wanted to make sure the Navy's intentions were clearly understood by the Government.

He said the two on Wednesday [22 February] discussed how the Navy had prepared its expenditure plans

because the Budget Bureau felt the purchase exceeded the Navy's spending ceiling.

Mr Suphachai said the Budget Bureau had calculated navy spending by adding together its routine expenses and development fund.

This made the figure higher than acceptable to the Government.

The navy chief has contacted the Budget Bureau to explain the purchase of the submarines fell within the Navy's annual allocation which generally increases by 7.5 per cent each year.

"We are concerned the expenditure will exceed the limit as this could affect the whole national budget.

"But the navy chief has assured me the Navy will keep its spending within the limit," said Mr Suphachai.

The two also discussed the manufacturer of the submarines.

Mr Suphachai said Adm Prachet told him the Navy had not decided where to buy the submarines, but a committee made up of admirals would be set up to consider the matter.

The deputy premier said he asked the navy chief to be careful about agents and lobbyists, and Adm Prachet admitted he had seen a lot of them since the purchase plan first had been made public.

Mr Suphachai said Adm Prachet gave an assurance the purchase could be done as a counter-trade deal, no matter with what country, because of the huge cost involved.

He said the Navy should clear its problem with the Budget Bureau to ensure the purchase is within the limit.

If the submarine purchase plan is dropped, the Navy could concentrate on developing its efficiency and capability.

There is still a question over whether the installment period for the submarine purchase will be five or seven years.

Usually the Budget Bureau allows no more than five years but the Navy said it needed more time because it takes at least four years to build a submarine.

"I am optimistic the yearly debt repayments will be smaller if the Cabinet approves an installment period of seven years," said Mr Suphachai.

He said the navy chief was also told to make sure the terms of reference are transparent.

The Government is concerned the Navy might come up with other projects which would cause its spending to exceed the annual allocation but Adm Prachet said the Navy would not make any more proposals.



Mr Suphachai quoted Adm Prachet as saying the Navy has proposed the submarine plan because it wants a more balanced defence force.

He admitted Thailand needed to protect its interests over marine resources.

Mr Suphachai said he asked Adm Prachet about providing protection for fishing boats in the South and was told the Navy already has a plan.

Adm Prachet said the Navy had enough boats and helicopters for coastal patrols.

Defence Minister Wichit Sukmak has said the submarine purchase plan might be suspended because it involves too much money, but Mr Suphachai said he knew nothing about this.

"No matter what decision is made, the 1996 budget must not be affected. The Defence Ministry and Navy have to settle this matter."

Mr Suphachai said the Government did not want to see a proposal made at the end of a fiscal year.

It wants every agency to work out their plans long in advance before making a proposal the same as is done by such state enterprises as the Electricity Generating Authority of Thailand and Port Authority of Thailand.

This will make it easier for the Government to work out its annual budget, he said.

### Admiral Views Potential Military Threats

BK2602134095 Bangkok THE SUNDAY NATION in English 26 Feb 95 p B2

[Article by Watsana Nanuam: "Enemy Can Come At Any Time"]

[FBIS Transcribed Text] Potential threats to Thailand from abroad will come by sea, according to a senior Navy officer. He sees a grave danger that disputes arising over territorial waters and natural resources will intensify in the future.

Rear Adm Thawisak Somapha, commander of the Royal Thai Fleet, said the withdrawal of superpower nations from Southeast Asian waters has left a power vacuum, a situation that can lead to confrontation between regional powers at sea.

Since the end of the Cold War, nearby countries have started building up their navies to protect territorial waters and assert their claim to resource-rich areas contended by other nations, Thawisak said.

"The disputes over the Spratlys and Paracels are examples of potential international conflicts. Thailand could become a participant in such a conflict anytime in the near future."

He cited as a closer example the 16,000-square-mile exclusive economic zone claimed by several countries in and around the Gulf of Thailand.

"There are quite a few countries laying claim to overlapping 'exclusive economic zones', and we don't have the capability to effectively patrol it, let alone guard it," Thawisak said.

The commander said oil production off the southern province of Songkhla will likely become a hot spot because Thailand has started tapping petroleum products in a big way.

"Another country may want to lay claim to the area to try to get a share in the oil production."

Thailand recently declared a 200-mile exclusive economic zone, particular in those areas beyond Ko Samui, to preempt an incursion by Vietnam, which has already done the same in its offshore waters.

"We have to do it because Vietnam has given itself an excuse to encroach on our waters," Thawisak said.

Thawisak believes a large-scale conflict is unlikely, although smaller incidents over disputed areas cannot be ruled out. He said it's important that the government and the public acquaint themselves with international strategies and the need to maintain a high level of naval preparedness.

"In naval warfare, there is no fixed front. Our enemies can show up unexpectedly anytime, anywhere. There is no way either side can capture and control an area for any length of time. In modern warfare, the rule of the game is hit and run.

"That's why the Navy needs three different types of weapons in sufficient numbers. We need surface vessels, submarines and aircraft. The basic objective is to defend our territorial waters and exclusive economic zone, and expel any military threat, as well as to establish a certain balance of power among nations."

Thawisak said deterrence remains the single most important principle in national defence. Although neighbouring countries put on friendly faces, conflicting national interests usually lead to confrontation and possible hostilities.

"The emerging trend is that countries are building up their military might because they realize deterrence is a good investment. No matter how good Thailand's negotiators are, when it comes to conflicting national interests, the determining factor for a successful resolution will be how prepared we are to fight."

Thawisak said the Navy is in the process of replacing obsolete vessels and weapons with more advanced and better armed ships and aircraft.

The proposal to buy two submarines is part of its long-term plan to maintain high levels of deterrence and



preparedness. The commander said submarines are the most lethal weapon in modern navies because the elusive vessels are difficult to detect and have the capability to inflict great losses to the enemy.

A strategically-placed submarine can disrupt or slow down a fleet of surface vessels and is also valuable for reconnaissance.

Thawisak defended the submarine project because the Navy has strictly observed regulations governing acquisition of arms. He pointed out that the proposed purchase doesn't require special allocations outside its annual budget of the next several years.

### Vietnam

#### Japanese Business Group Makes Business Visit

##### Seeks 'Moderate Liberalization'

OW2502150495 Tokyo ASAHI SHIMBUN in Japanese  
25 Feb 95 Morning Edition p 14

[By Satoru Hasegawa]

[FBIS Translated Text] Ho Chi Minh City, 24 Feb—Shoichiro Toyoda, chairman of the Japan Federation of Economic Organizations [Keidanren], and other members of a Keidanren mission, who are visiting three Southeast Asian countries, held a news conference on 24 February after completing their official itinerary. Regarding economic liberalization in Asia, it was explained that Keidanren, with the Asia Pacific Economic Cooperation (APEC) conference as a central figure, will seek a moderate liberalization while giving consideration to versatility of each nation.

Malaysian Prime Minister Mahathir has launched a concept of forming the East Asian Economic Conference (EAEC) as an organization to discuss Asian economic issues. But the United States opposes this concept. In this regard, Chairman Toyoda said: "Singapore and Thailand, which we visited during the recent trip, were of the view that they would give priority to APEC. I think all member nations of the Association of Southeast Asian Nations (ASEAN), except Malaysia, share the same view."

Regarding Vietnam, where the large-scale Keidanren mission visited for the first time, Toyoda positively assessed its economic potential and stressed a plan to wait and see how Vietnam responds to Keidanren's written request for improvement of investment environment in that country.

#### Members Hold Working Sessions

BK2502151395 Hanoi VNA in English 1439 GMT 25  
Feb 95

[FBIS Transcribed Text] Hanoi VNA Feb. 25—A delegation of the Japanese Federation for Economic Organizations (Keidanren) led by its president, Doctor Shoichiro Toyoda has paid a working visit to Vietnam from Feb. 21.

Dr. S. Toyoda, who is also president of the Toyota Motor Corporation, and his party had working sessions with Deputy Prime Minister Phan Van Khai and many senior officials of the Vietnamese Government, representatives state-run and private companies working in the areas of cement, plastics, foodstuff, textile, electronics, iron and steel. At these sessions, the two sides exchanged views on promotion of cooperative ties between Vietnam and the Japanese Federation for Economic Organizations.

The Japanese guests also had working sessions with senior officials of the State Committee for Cooperation and Investment, the Vietnam Chamber of Commerce and Industry (VCCI).

On Feb. 24, the delegation left Hanoi for Ho Chi Minh City where they were received by senior officials of the municipal People's Committee and toured the exhibition held by Japan's JETRO [Japan External Trade Organization] and number of economic establishments.

#### To Promote Japanese Investment

BK2502100295 Hanoi VNA in English 0558 GMT 25  
Feb 95

[FBIS Transcribed Text] Hanoi VNA 25 [dateline as received]—Japan's direct investment in Vietnam will increase fast in the coming time, says Mr. Shoichiro Toyoda, president of Toyota Corporation and chairman of the Keidanren (the Federation of Economic Organizations), who is leading a mission to Vietnam starting on Tuesday [21 February].

Keidanren will strive to promote Japanese investment in various fields in Vietnam, Mr. Toyoda told the press here on Thursday. He affirmed that Japan's earthquake in Kobe last month would not affect the Japanese investment in Vietnam.

In an interview with the national paper NHAN DAN on investment market in Vietnam, Mr. Nishio, president of Nissho Iwai Corporation and chairman of the Japan-Vietnam Economic Cooperation Commission, said that the Japanese business circles found that there are three attractive things in the Vietnamese market: First, plentiful human resources with relatively high cultural and scientific and technological level secondly, abundant natural resources, especially oil thirdly, big consuming market of 72 million people with higher and higher living standard. By the end of this year, Mr. Nishio forecast, Japan will strive to be ranked third among countries investing in Vietnam as against the seventh last year when in had 73 investment projects capitalized at USD [U.S. dollars] 790 million.

#### More Guest Workers Sent Overseas

BK2402160395 Hanoi VIETNAM INVESTMENT  
REVIEW in English 30 Jan-5 Feb 95 p 25

[Report by Duc Minh]



[FBIS Transcribed Text] Last year Vietnam sent 6,000 guest workers abroad—double 1993's total.

Guest workers are sent through the Department for Labor Cooperation With Foreign Countries (DLCFC) under the Ministry of Labor, War Invalids and Social Affairs.

The DLCFC and the Vietnamese companies allowed to send workers overseas currently dispatch them to 30 countries. In addition to its older markets such as Ukraine and the Czech Republic, new markets—South Korea, Libya, Lebanon, Malaysia, Japan and some Gulf and north-Asian countries—are opening up.

Of the newer markets, South Korea is proving to be valuable, with over 3,000 Vietnamese working in textiles, paper, plastic, leather, or electronics last year.

In 1994 the kinds of work and the way it was supplied expanded. Workers could be sent, not only as direct labor, but also through international labor service companies, or through one country to work in a second country or on individual contracts.

In 1994, these workers remitted about US\$20 million in foreign currency. The economic organization involved in providing service paid state taxes of about US\$1 million. In addition to expanding markets for Vietnamese labor, efforts are being made to strengthen the legal system relating to this activity and to improve management training.

A new draft decree which is to clarify the law on guest workers and is designed to replace an older version, has been submitted to the Government for approval.

Work is being done to sign contracts with foreign parties and governments to create a legal basis for protection of workers rights and contract law.

So far only one agreement has been signed, with the Czech Republic.

The DLCFC estimates that in 1995 about 9,000 workers will be sent abroad. (endall) 30 Jan-5 Feb ST/r.rhodes/vp RR512402.005 24/1604

### **Slow Growth of Export Processing Zones Examined**

*BK2402155695 Hanoi VIETNAM INVESTMENT REVIEW in English 30 Jan - 5 Feb 95 p 22*

[Report by Nguyen Anh Tuan]

[FBIS Transcribed Text] Spring in Vietnam as elsewhere, means the time for blossoming and bearing fruit. After three years, spring has not yet arrived at Vietnam's six export processing zones (EPZs). Over 900 hectares of land have been set aside but in this chilling investment environment they have borne no fruit.

Vietnam's EPZs all officially received licenses over the last three years, beginning with Tan Thuan EPZ in Nha

Be district of Ho Chi Minh City, followed by the Saigon-Linh Trung Haiphong, Da Nang, Can Tho and Noi Bai-Hanoi EPZs. Tan Thuan and Haiphong are the largest at 300 hectares each; the rest have between 57 and 120 hectares of land.

Infrastructure construction and commerce in almost all EPZs are handled by foreign joint ventures, amassing a total construction investment of over US\$315 million.

Excluding Tan Thuan EPZ, the construction process has been slow.

In Haiphong, nearly two years since the license was granted, the only construction has been a fence along the zone's borders. The foreign partner—Very Good International Group of Hong Kong—has been unable to finance further construction.

The Noi Bai-Hanoi zone remains overwhelmed by the challenge of providing water and power supply and transport infrastructure. The Saigon-Linh Trung, Da Nang and Can Tho zones have all initiated construction but have been slowed down due to "technical problems."

Promise: Tan Thuan EPZ has shown some initial promise, with 29 licensed foreign investment projects and a total investment capital of over US\$95 million, but it has managed to lease only 10 percent of the total EPZ land area. The remaining zones have had little progress on the leasing front.

It is possible that the scale of some EPZ is much greater than their ability to attract investment projects. At the current rate of implementation, it will take a long time before those 900 hectares of land become useful assets.

The Haiphong zone will require at least 150 medium-sized factories to fully cover its 300 hectares, a significant number considering that during the past six years Haiphong itself has attracted fewer than 30 foreign investment projects, most of which are not export-oriented ventures. Furthermore, current complicated investment procedures make it tough for investors to make their way into EPZs.

Conditions: All things being equal, if investment conditions were attractive enough, EPZ management would have little trouble either raising money to complete zone infrastructure or attracting investors with projects of their own.

A United Nations Industrial Development Organization report has compiled a list of conditions that vitally affect the chances of success of an EPZ strategy. On several of these, Vietnam does not score particularly well.

Sluggish infrastructure growth makes EPZs a bit less than attractive. Land rents and other service fees are higher than that of other EPZ in the region, in part because of the sizable Government share of capital and profits of EPZ infrastructure construction and commercial joint



ventures. And cheap labor—once touted as one of Vietnam's most enticing assets—is no longer as attractive in the face of regional competition.

**Commitment:** Notwithstanding the substantial commitment already made to six EPZ projects, the organization of the zones is still in the formative stages.

But it is time to consider whether Vietnam has opened too many EPZs at the same time, while it may have been more effective to test one or two before opening half a dozen. And as some foreign partners are not coming through on their pledges, it seems that perhaps these partners, too, have not been chosen carefully.

Now that the zones are here, perhaps regulations on investment procedures should be clearer, and prices for land rent, electricity and water, and other service fees need to be readjusted to be more attractive.

For all the delays, it is important to remember that in Vietnam's case the concept and function of such an economic strategy is a new thing. Problems in the process of constructing EPZs are natural to the growth and development process. Nothing would grow without research and trial. That is the path to spring.

#### **Directive Urges 'Crucial' Agriculture Measures**

*BK2702065995 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 26 Feb 95*

[FBIS Translated Text] The minister of agriculture and food industry recently issued a directive urging various units to take crucial measures to ensure sufficient grain, foodstuffs, and fertilizer for 1995.

According to this directive, all general grain corporations at the central level and some local grain corporations operating in those key areas such as Hanoi, Haiphong, and Quang Ninh must take primary responsibility for taking grain from the south to the north to meet grain requirements of northern provinces.

Unions of Sugar Cane Enterprises Nos. 1 and 2 must direct various sugar cane corporations and sugar refineries to step up production and importation of sugar in accordance with their assigned quotas. They must step up the processing and supply of sugar to the market.

The Agricultural Materials General Corporation and those units assigned to import fertilizer must promptly import fertilizer as planned. Those companies that are unable to do so must promptly report this to the Ministry of Agriculture and Food Industry for resolution.

The ministry will take severe punitive measures against those units that fail to comply with this directive.

#### **Vo Van Kiet Issues Regulation on Smuggling**

*BK2602133395 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 24 Feb 95*

[FBIS Translated Text] Prime Minister Vo Van Kiet has recently issued decision No. 96-TTG promulgating a

regulation on the responsibilities of and coordination between state management agencies in carrying out market management and curbing smuggling and other illegal business operations. The regulation is composed of 12 articles in four chapters clearly stipulating the responsibilities and powers of ministries and sectors concerned as well as of the people's committees of provinces and municipalities directly subordinate to the central government.

According to the regulation, the Ministry of Commerce is charged with the duty of organizing coordination between sectors and branches to carry out this important task.

To satisfactorily fulfill the task, various ministries and sectors are duty bound to formulate strategies, plans, and measures to develop production, enhance product quality, reduce production costs, ensure markets at home and abroad for locally made merchandise, study production mechanisms and state policies and laws to overcome shortcomings and duplications that are obstructing production and business, while striving to suppress smuggling and illegal trading. Agencies concerned must make great efforts to take serious administrative and legal measures against smuggling and illegal trading in accordance with their authority.

#### **Tran Duc Luong Chairs Marine Economic Forum**

*BK2602144895 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 25 Feb 95*

[FBIS Translated Text] Deputy Prime Minister Tran Duc Luong chaired a conference on marine economic development held in Hanoi from 24 to 25 February. In his opening address, the deputy prime minister stressed the significant role of the sea in the new era and its importance to our country for economic development and the protection of national sovereignty and interests.

The conference noted that our sea and coastal areas are well located and have many favorable aspects for socio-economic development, especially natural resources such as oil and gas. Vietnam also has potentials in developing seaports and sea transportation. It has many big cities, industrial complexes, and regions easily accessible to the world. However, these aspects and potentials have not been fully exploited. While many areas have developed quickly, others are still underdeveloped. Generally speaking, the production capability of some provinces and their level of contacts with foreign countries are still under par while the standard of living of the people and fishermen are still low. Strong marine economic centers have not been established to serve as a spring board for exploiting the sea to accelerate the development of the national economy. The key orientations for developing our country's sea and coastal areas up to the year 2010 are to integrate investments and promote a marine economic development program so as to attain an annual average growth of 15-20 percent for important marine economic sectors and vigorously



develop other significant economic sectors such as oil and gas, sea communications and transport, maritime products, and tourism and services. Efforts must be made to set up key establishments with modern industrial technology and create the capacity to export a large volume of products so as to be able to compete with other countries in the international markets, especially markets in the region. We must strive to change the economic structure for the sea and coastal areas along the line of national industrialization and modernization. Each province must strive to exploit its strengths and potentials to comprehensively develop the marine economy while improving various sectors and increasing production output. Efforts must be made to create more jobs on the basis of rearranging the labor force in accordance with the new structure, to closely combine the development of marine economy with the protection of natural resources and the environment, and to ensure a firm, long-lasting development of our sea and coastal areas and offshore islands.

Reports presented at the conference by some sectors and provinces focussed on their experiences in developing the sea potentials and orientations and tasks up to the year 2010, which are aimed at vigorously developing the marine economy.

In the concluding part, Deputy Prime Minister Tran Duc Luong instructed various sectors and localities to integrate their efforts on building and implementing the policy on marine economic development while striving to combine this task with the defense of our national sovereignty and interests in the sea.

#### **Army Paper Marks Party Anniversary**

*BK2602134495 Hanoi QUAN DOI NHAN DAN in Vietnamese 3 Feb 95 pp 1, 3*

[Editorial: "Vanguard Party, Heroic Undertaking"]

[FBIS Translated Text] Today (3 February 1995), amid the jubilant atmosphere of the Year of the Pig Spring Festival, our entire party, people, and Army are celebrating the 65th anniversary of the founding of our glorious party with great elation.

The past 65 years have witnessed a stage of history fraught with ordeals and important events. After experiencing untold sacrifices and hardships just like "gold facing the test of fire and stamina facing the test of hardship," our party—the great vanguard brigade of the working class founded and trained by President Ho Chi Minh—has led our nation from one victory to another, achieving the most glorious deeds in the millenniums of our nation's history of national construction and defense. These have included the spontaneous uprising that seized back power, ending nearly 100 years of French colonial enslavement and founding the first worker-peasant administration in Southeast Asia; and the two protracted wars of resistance that defeated the two big imperialists, France and the United States, and

totally liberated the country, thus ushering in a new era. This is the era of rebuilding a prosperous country and building and defending the fatherland in the advance toward socialism along the path charted by the party and shown in its first revolutionary platform (3 February 1930).

The party accepted its glorious mandate of history from the beginning. During various revolutionary stages that were full of difficulties and ordeals, our party has proved to be a staunch Communist Party. Profoundly imbued with Marxism-Leninism and the great Ho Chi Minh Thought, the party has held high the thorough revolutionary character of the working class, shown its immense loyalty to the interests of the working class and the entire nation, and applied and acted according to the evolutionary law of the revolution. The party has regarded reality as truth and has used its goals of national independence and freedom and the people's happiness as its basis for action. By upholding a sense of independence, sovereignty, and creativity, our party has struggled uncompromisingly against opportunism, rightism, dogmatism, and revisionism of all colors and against those ideological concepts that run counter to truth and to the interests of the working class and the nation.

Even at the toughest and most complex historic turning points, our party has remained calm and firm. It has correctly evaluated the actual situation as well as the difficulties and advantages; held high its fighting determination and its sense of responsibility; boldly conducted criticism and self-criticism; and remained independent, self-governed, dynamic, and creative in trying to find the best way to muster the united willpower of the entire party and people to the fullest to overcome ordeals and advance the revolution steadily.

Devoting itself to the interests of the working class, the nation, and all laborers is the lofty goal of our party. Remaining closely united with the people gives the party its invincible strength and has become the root of the universal great unity bloc for the past 65 years.

The current renovation process has created a very heavy responsibility for the party. The party's leadership over the renovation process also marks a new peak in our party's wisdom and creative energy. Against a background of a highly complex changing world and a market system laden with hidden pitfalls, coupled with the furious efforts of the hostile forces to oppose and sabotage our revolution, our party has always remained calm. It has placed its absolute confidence in the strength of the entire people. It is firm in its goal and is very flexible and creative in its methods to mobilize the entire people to implement the renovation process gradually and in a successful manner. The economy has achieved constant growth. The face of our country has undergone changes with each passing day. With a stable political system, our country's position in the world arena has improved. All of this eloquently testifies that our party's leadership skills cannot be matched by any force.



The facts of the renovation process eloquently demonstrate that in addition to its wonderful leadership skills shown during the struggle for national liberation, the party also has the skills and creative abilities needed to build a new society.

In the political aspect, every success in the party-led renovation process has been achieved despite the tough challenges arising from attempts to overthrow the regime and eliminate our party's leadership role. No one among us is unaware of the perfidious "peaceful evolution" strategy of the hostile forces that is being directed at our country's revolution with the main purpose of discrediting our party. Therefore, now more than ever before, the assertion of the party's absolute leadership role and the need to build a close relationship between the party and the people is very important and decisive for us in continuing to develop the country's renovation process in accordance with its objective law.

Our party is fully aware that national construction is a very difficult and complex task—it is still rather new and unfamiliar to us—that is being carried out at a time when our economy is still poor and laden with great difficulties and challenges. Our party is fully aware of those areas where its abilities are still limited and weak. It is for this reason that in the present renovation process the party is gathering experience day by day and hour by hour in an unprecedented fashion through the reality of renovation. The party never stops enriching its knowledge by respecting, gathering, and listening to the views of party members, nonparty members, and the entire people while selectively learning from the wisdom and quintessence of humanity.

However, correct renovative lines and policies cannot transform themselves into reality, especially when every step of the renovation is still new and complicated for us. They depend on the concrete organizational skills of every party organ, cadre, and member. Realities have proved that the success or failure of every work is decided by the quality of the contingent of cadres and party members.

More than ever, party members and cadres must improve their intellectual capacity and work performance together with their political knowledge. Every

field of the current renovation undertaking requires a certain level of knowledge from our cadres and party members that must be used promptly and implemented positively and creatively. A lack of knowledge and poor working performances from the cadres and party members—who are responsible for organizing, implementing, and transforming party lines into public action—will definitely result in economic backwardness. On the other side, the vanguard and exemplary characteristics of party members are always "an imperative without words," which have a strong influence on and are an encouragement for the public at each historic stage, especially in the period of a market-oriented economy when money has become the greatest temptation to degrade the quality of cadres and party members. The danger of corruption mainly exists in people with certain positions and authority and in cadres and party members working in the state mechanism. Every cadre and party member must profoundly understand this and continuously train himself, fight against all manifestations of individualism, and heighten our beloved Uncle Ho's characteristics of "industry, frugality, honesty, righteousness, public dedication, and impartiality." A contingent of cadres and party members of good capacity, enthusiasm, exemplariness, and dedication working under a vanguard and well-experienced party will be a source of strength and a foundation for public trust and national unity to overcome all challenges while firmly leading the nation into a new development period.

Together with the entire armed forces, the cadres and party members in our people's armed forces are proud of the party's glorious tradition and are determined to study, nurture, guide, and strictly carry out the renovation and party building work in every unit and individual so that everyone can have a firm political and ideological stance and be exemplary in action and life to improve the party members' reputation and the image of "Uncle Ho's soldier," overcome all difficulties and challenges, contribute to the building of stronger armed forces, and deserve the reputation of a most loyal and trustful force of the party, state, and people in the undertaking to build a prosperous population, a powerful country, and an equitable and civilized society; and to protect national sovereignty and integrity.



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